The Confident Consumer

Sally R. Campbell

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Mrs Lutz

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The Confident Consumer

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The Goodheart-Willcox Company, Inc.
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Introduction

The Confident Consumer is a practical text designed to help you make wise decisions in the marketplace. It will help you understand how our economic system works and how it affects you as a consumer.

To be a confident consumer, you need to know what economic goals you want to achieve and how to achieve those goals. The text explains how to establish and examine your values, goals, and standards. It discusses how to identify and manage your resources to achieve your goals.

As you use this book, you will learn how to make decisions about earning, spending, saving, borrowing, and investing money. You will learn how and where to seek consumer information about products, services, consumer laws, and economic conditions. This information will help you make smart decisions about food, clothing, housing, home furnishings, transportation, education, health services, insurance, and investments.

The Confident Consumer is straightforward and easy to read. Each chapter begins with learning objectives and ends with review questions and activities to help you study effectively. Case studies are provided throughout the chapters to help you apply the facts you learn to everyday situations.

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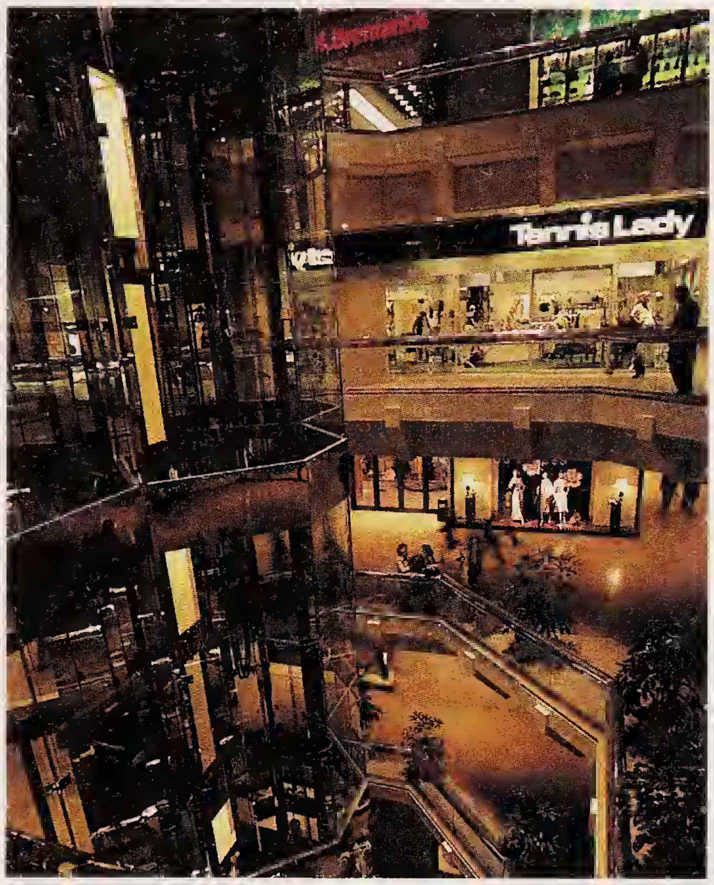

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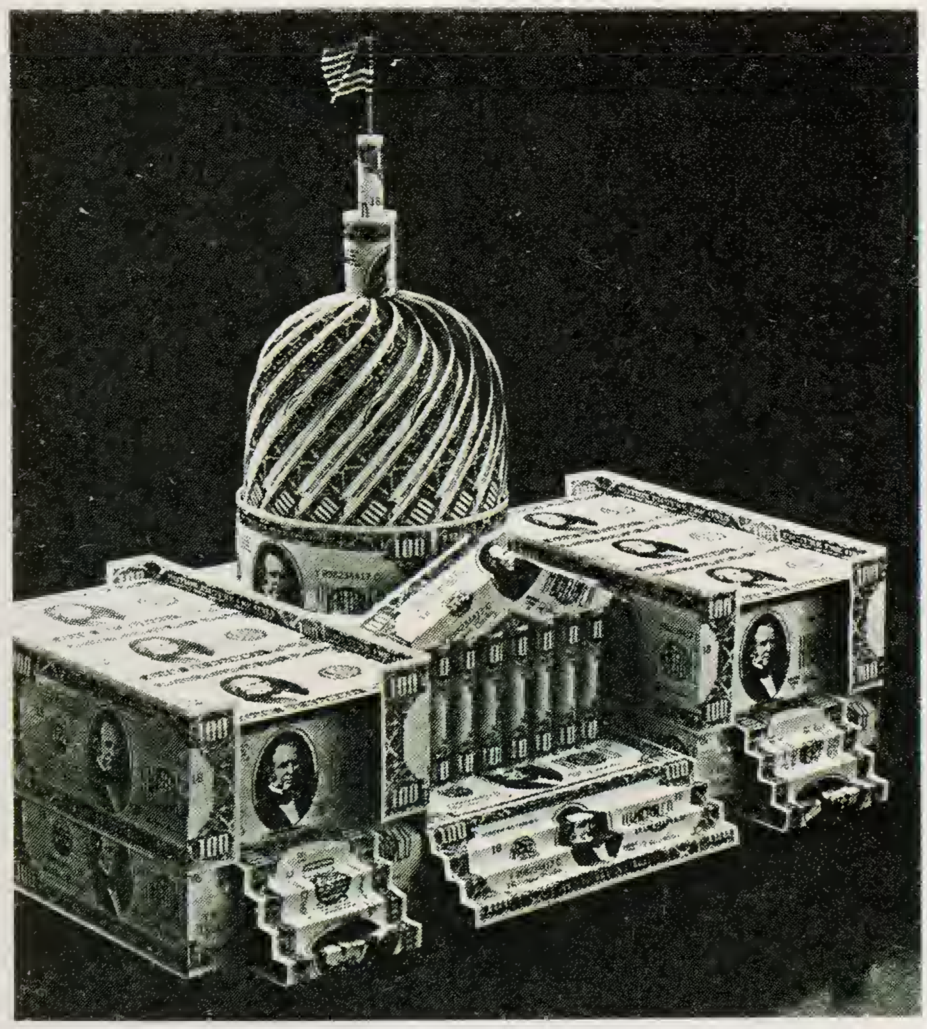

part one

Economics

1 **Our economic system,** 11
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Economic activities of consumers, Earning, Spending, Saving, Borrowing, Insuring, Investing, Paying taxes, Voting, Economic problems of consumers, Complex markets, Confusing variety of products, Questionable selling methods, Conflict of interest, Lack of planning, Failure to use information, Careless spending, Ineffective communication, Consumers in a command economy

Tennis Lady

WATER TOWER PLACE

1

Our economic system

After studying this chapter, you will be able to:

- ☐ Describe our economic system.
- ☐ Explain how producers and consumers, supply and demand, profits and competition, and government regulations and policies affect our economic system.
- ☐ Relate this information to real life economic situations.

You live in an economic world. Money changes hands every time you buy a hamburger, go to a movie or concert, ride a bus, turn on a light, make a phone call, or see a doctor. Economic wheels turn to keep schools open, maintain streets and parks, and provide police and fire protection. Hundreds of times each day, you use and depend on economic goods and services.

Goods and services are available to you largely through the economic activities of producers. Producers make and sell goods and services to satisfy consumer needs and wants. The exchange of goods and services takes place within the framework of an economic system. You have to understand the system if you want to get the most out of it.

THE BASIS OF OUR SYSTEM

Our economic system is known by many names. It is called free enterprise, private enterprise, capitalism, a mixed economy, a consumer economy, and a market economy. Although these terms may have slightly different meanings, they all describe a basic economic system. This system is based on several factors which are described below.

1. Private ownership and control of productive resources. *(Productive resources* are all the resources—such as labor, land, and capital—that are used to provide and produce goods and services.) In our economic system, individuals and businesses own and decide how to use labor, land, capital, tools, equipment, and other resources to produce goods and services.
2. Supply and demand in the marketplace. Consumer spending choices for food, clothing, cars, and countless other goods and services create a demand in the marketplace. Producers provide the supply of goods and services to meet consumer demands.
3. The profit motive. The desire for profit motivates individuals and businesses to produce the goods and services consumers want.
4. Competition. Businesses try to offer the best products and services at the lowest prices to compete for consumer dollars.
5. Free economic choices for individuals. Each person has the right to make choices about earning, spending, saving, investing, and voting.
6. Government involvement where it is needed. Federal, state, and local governments make and enforce laws governing economic activities. They establish economic policies to promote stability and growth. Governments also provide public services and economic assistance.

The interaction of these factors makes our economic system a dynamic, ever-changing one. The rest of this chapter will explain how these factors fit together in our economic system and how they influence you.

The law of scarcity

All economic systems are based on the fact that resources are limited while needs and wants are unlimited. This is the *law of scarcity.* It applies to individuals and families as well as countries.

A family's time, income, and other resources are limited. However, a family has unlimited needs and wants like food, clothes, furniture, cars, and vacations. Since resources are limited while wants are unlimited, a family must choose which of its wants to satisfy. Family members may have to choose between bowling or seeing a movie when they don't have time to do both. They may have to choose between buying a new car or taking a family vacation when money is limited. Some choices are more complex. Should a wage earner work overtime for more income or live with less money but more free time? Should the family use their savings to buy a home or invest in a business? The choices are endless.

The law of scarcity applies to societies in the same way. As a nation, our resources are limited while our wants are unlimited. No nation has either the wealth or the resources to meet all the wants of all its people. Choices must be made. This presents three basic economic problems common to all societies:

1. What and how much to produce.
2. How to use resources in producing goods and services.
3. How to divide goods and services that are produced.

Three basic economic problems resolved by supply and demand

In our economy, we rely largely on the forces of *supply and demand* in competitive markets to resolve the three basic economic problems. The system of supply and demand is based on transactions between consumers and producers making free choices.

What and how much to produce is determined by consumer demand. You and other consumers like you express this demand through your spending choices in the marketplace. That is, you decide what to buy, where to buy it, and how much you are willing to pay. You also decide whether to use cash or credit and whether to spend or save. Your choices and demands often result in new product development, 1-1.

How to produce is determined by businesses when they create the supply to meet consumer demands. Businesses decide how to use resources most efficiently in producing goods and services.

How to divide goods and services among people is determined largely by the forces of supply and demand in job markets. The people who can offer the skills, materials, or capital needed for production receive income or profits. This money is used to buy goods and services and thus determines how production is divided.

Profits and competition

In a market economy such as ours, profits and competition are essential elements. Without them, our economic system would not work.

Profits are the incentive for both individuals and businesses to be productive. Individuals market their productive resources such as ideas, labor, land, and capital. In return, they receive profit in the form of income or a return on their investments.

Businesses produce goods and services to meet consumer demands in order to profit from sales. Without the desire for profits, our economy would fail. Individuals would not be motivated to work. Investors would not invest in businesses, providing the money needed to

Radarange Amana
TOUCHMATIC II
START STOP LIGHT

AMANA REFRIGERATION, INC.

1-1 Industry often responds to consumer demands by producing new products. The demand for faster, easier meal preparation encouraged the production of the microwave oven.

turn resources into goods and services. And businesses would not grow and try to increase sales. All businesses, from the corner grocery to a worldwide corporation, depend on profits, 1-2.

Competition encourages both individuals and businesses to produce goods and services more efficiently. The effect of competition on individuals can be seen in the job market. The highest incomes go to those who perform best in occupations that produce the goods and services in greatest demand.

In recent years, there has been a growing demand for electronic products like calculators, electronic games, and home computers. This consumer demand has increased the demand for, and competition among, workers in the electronics field. As a result, workers have become more qualified, educated, and skilled. They have been able to improve productivity and technology.

In a competitive market, the business that can produce the goods and services in demand at the lowest cost can achieve the highest sales. Ideally, competition results in improved products and services and/or lower prices for consumers.

Government involvement

Government plays an important role in our economic system. It helps determine what goods and services are produced, how they are produced, and how they are divided. Government influences these basic economic problems through regulations, taxation and spending, and economic policies.

Today, government regulations have a big economic impact on businesses and consumers. Government first became involved in economic matters mainly to promote fair competition and to insure public well-being and safety. A look at government regulation in these two areas will introduce you to the regulatory activities of our government.

It is primarily the *anti-trust laws* that insure competition. They prevent monopolies and other restraints of trade. A *monopoly* results when a single company controls the entire supply of a product or service. When a monopoly exists, the forces of supply and demand no longer determine production and price. Instead, the monopoly controls the supply and price for its own gain.

Imagine, for example, that only one company makes blue jeans. That company could limit the production of jeans and create a shortage. With fewer jeans available, consumers would be competing with one another to buy jeans. This would increase prices. Since our system is based on the forces of supply and demand in competitive markets, regulations to insure competitive markets are needed.

Government regulations that insure public well-being and safety include:

- Equal opportunity laws.
- Fair labor practices.
- Industrial safety standards.
- Environmental standards.
- Pure food and drug laws.
- Safety performance standards.

The Food and Drug Administration, the Environmental Protection Agency, the Consumer Product Safety Commission, and many other government agencies administer these regulations.

Government taxing and spending policies determine how much taxes you and others pay. These policies also determine what services and facilities the government provides in return. The two basic goals of government taxing and spending are to redistribute income and to provide public goods and services.

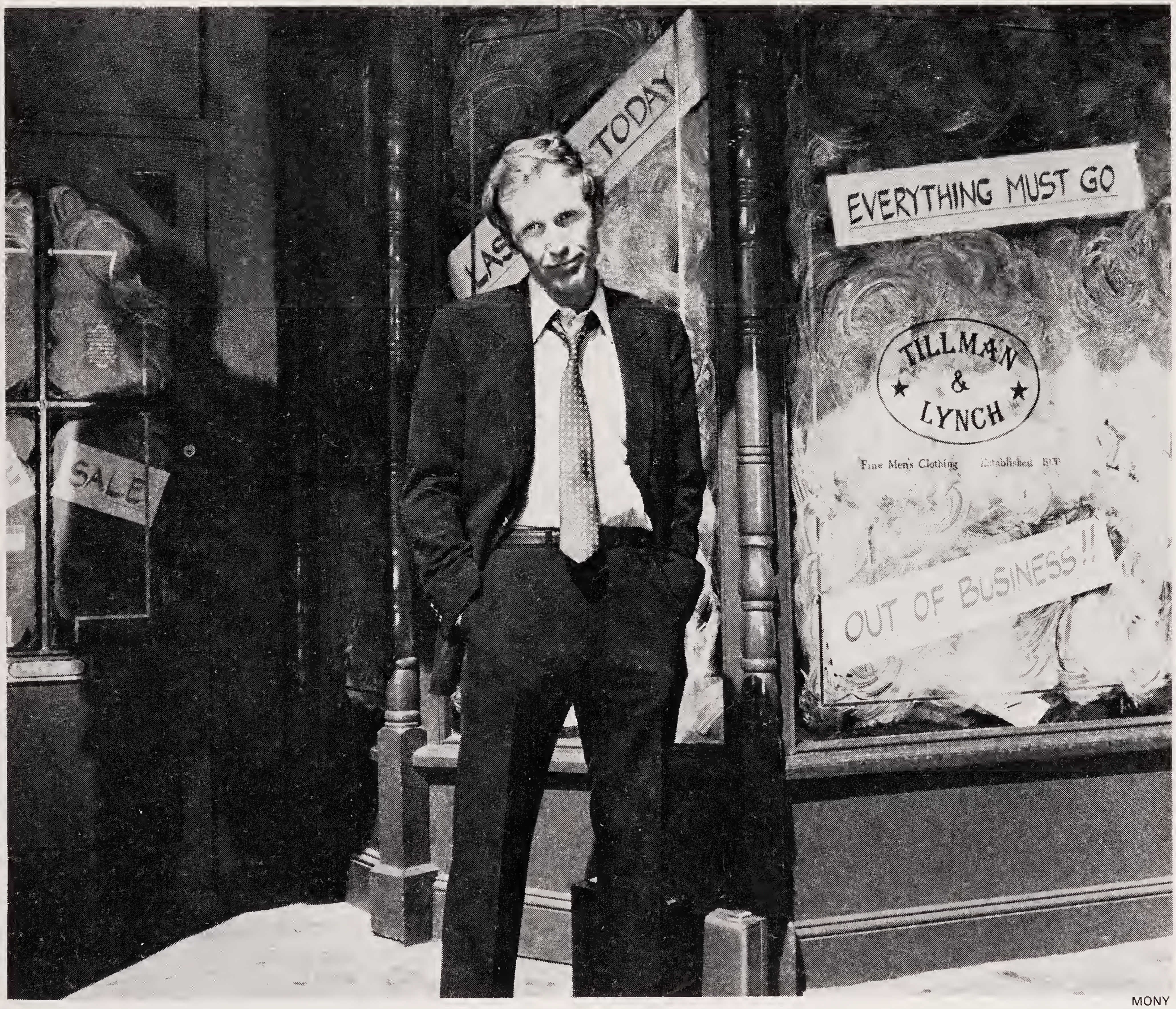
Government redistributes income through taxation and welfare programs. Our federal income tax is a *progressive tax*. This means that people with higher incomes pay a higher tax rate than those with lower incomes. Government welfare programs redistribute some of the tax money to provide food stamps, medical care, and cash payments to the needy. These welfare benefits are paid for largely by taxing those who are not receiving them. The combination of the progressive tax and welfare programs transfers income from the wealthy to the needy in our society.

Government also provides many goods and services that private citizens and businesses cannot or do not produce. These include public schools, libraries, highways, airports, parks, and fire and police protection. Citizens and businesses "buy" these goods and services from government with tax dollars.

The economic policies of government affect the economy by controlling the amount of money available for economic activities. Government controls the money supply through fiscal and monetary policies.

Fiscal policies. Fiscal policies control government taxing and spending. These policies can be changed to help balance the economy.

To increase the amount of money in the economy, fiscal policies can lower taxes and increase government spending. When individuals and businesses pay lower taxes, they have more money to spend. Consumers usually spend their extra money for goods and services. This, in turn, increases demand. Then businesses expand to produce more to meet the demand made by consumers. Government spending also increases the amount of money



MONY

1-2 Without profits, this man cannot afford to stay in business.

in circulation and increases the demand for goods and services.

To slow down the economy, fiscal policies can raise taxes and reduce government spending. When taxes are higher, consumers and businesses have less money to spend. With less consumer spending and less government spending, demand decreases, production decreases, and business growth slows.

Monetary policies. Monetary policies primarily control the amount of money in circulation. This is done by controlling interest rates and credit terms.

Policies which increase the amount of money in circulation lower interest rates and make credit more readily available. This encourages consumers and businesses to spend more than they would when interest rates are higher.

For example, consumers buy or build more homes when interest rates for home mortgages are lower. Companies borrow more capital for expanding their businesses. Farmers borrow to buy machinery and land to produce more crops. All of these activities stimulate the economy and create jobs.

Policies which decrease the money supply raise interest rates and discourage the use of credit. This causes consumers and businesses to spend less, demand less, borrow less, and produce less.

Although it may sound simple for the government to stimulate or slow down the economy, it isn't. Striking a workable balance between supply and demand is a difficult task.

When fiscal and monetary policies pump too much money into the system too fast, *inflation* occurs. The demand for goods and services becomes greater than the economy's ability to supply those goods and services. If demands cannot be met by supplies, the cost of goods and services goes up. Too many dollars are chasing too few goods.

When there is not enough money circulating in the system, a *recession* occurs. The demand for goods and services decreases, and business sales decline. Too many goods are chasing too few dollars. This causes producers to lower production and employment.

The chart in 1-3 outlines some of the fiscal and monetary policies the government can follow to fight inflation or stop a recession.

Case Studies

SUPPLY AND DEMAND: HERE'S HOW IT WORKS

Joey Peters is a 16-year-old high school junior. He has earned money running errands since he was in eighth grade. Several people in the apartment building where Joey lives depend on him to run errands for them. Lately, the demand for his services has grown. Joey now makes several trips a day. He goes further and further from home for pickups.

Joey decides to make a real business of his delivery service. Over the years, he has saved several hundred dollars. Now seems like the perfect time to invest his savings and increase his earnings. The desire to make a profit encourages Joey to go into business for himself.

Joey plans his new business venture carefully. He needs a car to reduce his traveling time. He needs an answering service to take orders when he is not home. He also needs a way to advertise his services beyond the building where he lives.

In a local paper, Joey finds an ad for a small used car at a good price. He takes it for a test drive. It runs well and doesn't use a lot of gas. The car is small enough to fit into any parking space but large enough to carry his orders.

Joey then shops for a telephone answering service. He chooses an inexpensive answering device which can be attached to his home phone.

Finally, Joey designs a folder to describe his delivery services. He has a neighborhood printer make 150 copies at a reasonable cost. Joey distributes the folders to people in his neighborhood.

One major expense Joey has ignored in his planning is auto insurance. When he buys the car, he learns that the law requires him to carry liability insurance. For young men, car insurance is very expensive. By talking with the insurance agent, Joey learns that he can save on premiums by using his car only for business. This also will permit him to deduct all of his car expenses when he pays income tax. As his business grows, tax deductions will become more important.

Social Security tax is another expense Joey has underestimated. The Social Security tax is figured as a percentage of a person's income. The cost of the tax is shared by employees and their employers. Self-employed workers pay a higher tax rate because there is no employer to share the cost. Since Joey is self-employed, he has to set aside a larger percentage of his earnings to pay Social Security taxes.

Even with all his expenses, Joey feels great. He is in business, and business is going well. Since there are no other neighborhood delivery services, he has little competition. Joey expects to earn a good income over the next few years. He plans to make enough money to have a large profit, even after paying his investment and operating costs.

CONSUMER CHOICE: HERE'S HOW IT WORKS

Mrs. Casey, a 62-year-old widow, is one of Joey's customers. He picks up her groceries and runs other errands for her three times a

FISCAL AND MONETARY POLICIES

	FISCAL POLICIES	**MONETARY POLICIES**	**RESULTS**
To Fight Inflation	Reduce government spending. Raise taxes.	Decrease the money supply. Raise interest rates.	Reduce consumer spending. Decrease the demand for goods and services. Discourage the use of credit. Decrease production. Slow economic growth.
To Stop a Recession	Increase government spending. Lower taxes.	Increase the money supply. Lower interest rates.	Increase consumer spending. Increase the demand for goods and services. Encourage the use of credit. Increase production. Stimulate economic growth.

1-3 The economic policies of government affect the economy. Different monetary and fiscal policies can be followed to fight inflation or stop a recession.

week. Joey works for Mrs. Casey on a regular basis for a special price.

Before Joey turned his service into a real business, his fee was $.75 per call. He gave regular customers like Mrs. Casey a special rate of $1.50 per week for three trips. Now that he is advertising, Joey's business is growing quickly. He has more calls than he can handle. He decides to increase his basic fee to $1.00 per call and to charge Mrs. Casey $2.00 per week.

Because of the higher price, some of his customers begin using his service less often. Others stop calling altogether. When Joey asks Mrs. Casey to pay $2.00 per week, she decides not to use his service anymore. Joey is sorry to lose Mrs. Casey's business, but he is still doing very well.

Mrs. Casey decides to look for a less expensive delivery service. When she can't find one in the neighborhood, Mrs. Casey calls together several of her friends who want occasional deliveries. They decide to ask someone else to run a delivery service for their group. They ask Darlene Adams, a high school senior who lives in their neighborhood. Darlene thinks Mrs. Casey's group has a good idea. She decides to go into the delivery service. Because of consumer demand, a new business is started.

COMPETITION: HERE'S HOW IT WORKS

Darlene's father owns a grocery store. His customers often call for deliveries, but Mr. Adams has never offered a delivery service. He did not think that the cost of buying a car and hiring someone to make deliveries would be profitable. However, when Darlene talks to her father about running a delivery service, he is willing to listen. They discuss the possibilities and come up with a plan.

Mr. Adams offers to let Darlene use the family car for deliveries. Since grocery deliveries will increase business for the store, Mr. Adams suggests a low delivery charge. They decide that Darlene should charge customers $.30 for each grocery delivery and $.60 for each merchandise delivery from other stores. Mr. Adams agrees to pay Darlene $.30 for every delivery she makes from his store. Thus, Darlene will earn $.60 for every delivery she makes.

To advertise this new service, Darlene designs a poster to display in the store and a folder to hand out to customers. She makes copies of the folder on a duplicating machine in the store.

Like Joey, Darlene must have auto insurance to use the family car. However, the insurance rate for Darlene is lower because she is a female. Statistically, teenage girls are not as great an insurance risk as teenage males.

Unlike Joey, Darlene has an employer (her father). Thus, she pays less Social Security tax.

When all business expenses are totaled, Darlene's initial investment and operating expenses are lower than Joey's. By operating out of her father's store and using the family car, Darlene manages her business at a much lower cost. She makes a fine profit, charging less than Joey for delivery services.

To meet his new competition, Joey decides to expand his business and hire some help. He contacts merchants in the area about making local deliveries for their stores. Five stores accept his delivery service plan. Through this plan, he will earn $.80 for each delivery, $.40 from the store and $.40 from the customer. To handle the extra work load, Joey hires two helpers.

With the merchants' business plus his regular customers, Joey has as many orders as he can handle, in spite of the competition. Consumers in the area can get delivery services from several stores at reasonable costs. Deliveries are made at almost any hour during the day and evening. Because Darlene and Joey are competing with each other, they both try harder to please their customers.

Joey and Darlene's economic activities affect a small number of people, mostly friends and neighbors. Now let's look at another situation where economic principles affect millions of people.

OUR ECONOMY IN ACTION

Electronic games are popular with people of all ages. The development, production, and marketing of electronic games became a big business in a short time. The growth of this business was a result of the economic activities of consumers and producers. Government involvement, intense competition, and the desire for profits also influenced the growth of the electronic game market.

The role of consumers

Consumers provide the demand for goods and services they want at prices they can afford to pay. They do this by buying goods and services they want and by not buying things they do not want or cannot afford, 1-4. To be an active force in the economy, consumers must have:

1. An awareness of goods and services available.
2. Dollars to spend.
3. Free choice of what, when, and where to buy.

Consumer demand and electronic games. Electronic devices were first developed to meet military, medical, and industrial needs. They were used in communications, defense, medicine, and computer sciences. Since consumers had very little knowledge of electronic equipment and technology, there was no consumer demand for electronic devices.

One of the first electronic devices to enter the consumer market was the digital watch. Later, pocket calculators and CB radios flooded the consumer markets to meet consumer demand.

Electronic technology was then used to develop electronic games. Soon, coin-operated video games began appearing in bars, arcades, and recreational centers. Electronic games immediately captured the public interest and appealed to all ages. Consumer demand grew quickly.

The role of producers

Producers provide the supply of goods and services to meet consumer demands. Producers include workers, researchers, managers, and investors. To be successful in a market economy, producers must have:

1. An awareness of consumer demand.
2. Productive resources such as labor, land, money, tools, equipment, or other resources to produce goods and services.
3. Free choice in using productive resources to meet consumer demand.

EVANSTON CHAMBER OF COMMERCE

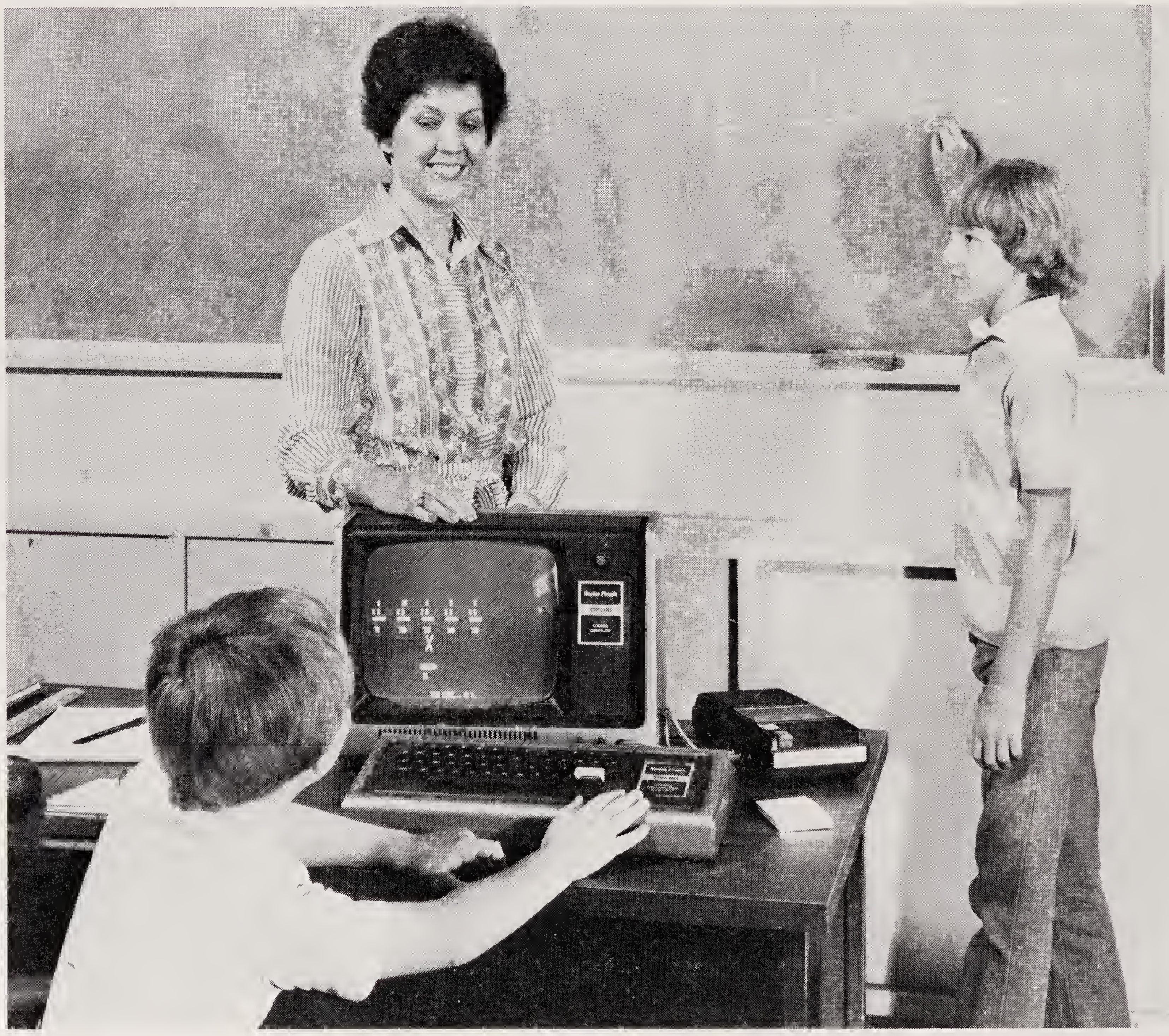
1-4 The choices you and other consumers make in the marketplace determine what producers will make and retailers will sell.

Producers and electronic games. When producers saw the consumer demand for electronic games, they moved quickly to develop games for home use. At first, only four manufacturers produced electronic games for consumer markets. One year later, 35 manufacturers were making electronic games and accessories. They were selling in the thousands at department stores, discount stores, and specialty shops. After one more year, over 100 manufacturers were producing for this market, all to meet consumer demand. Within this new industry, total sales increased 300 percent in just one year!

The future will bring the development of more electronic devices, not only for entertainment. They will teach programmed subject matter such as foreign languages and arithmetic, 1-5. They will calculate income taxes, balance checkbooks, and keep financial records. They will store information such as addresses and birthdays, and figure calories in a meal. All of this will come from producers working to meet consumer demands.

The role of government

In our economy, government affects every industry, including the electronic games market. Since the government is the nation's largest single consumer, it helps create demand in the marketplace. Electronic technology is especially needed by the government for communication systems, medical research, and military advancement. The government



RADIO SHACK

1-5 Computers can teach, calculate, and store information. They are being used more and more in homes and schools.

supports research and product development through grants and loans to private businesses. Without the aid of government funds, the technology for electronic devices would have developed much more slowly.

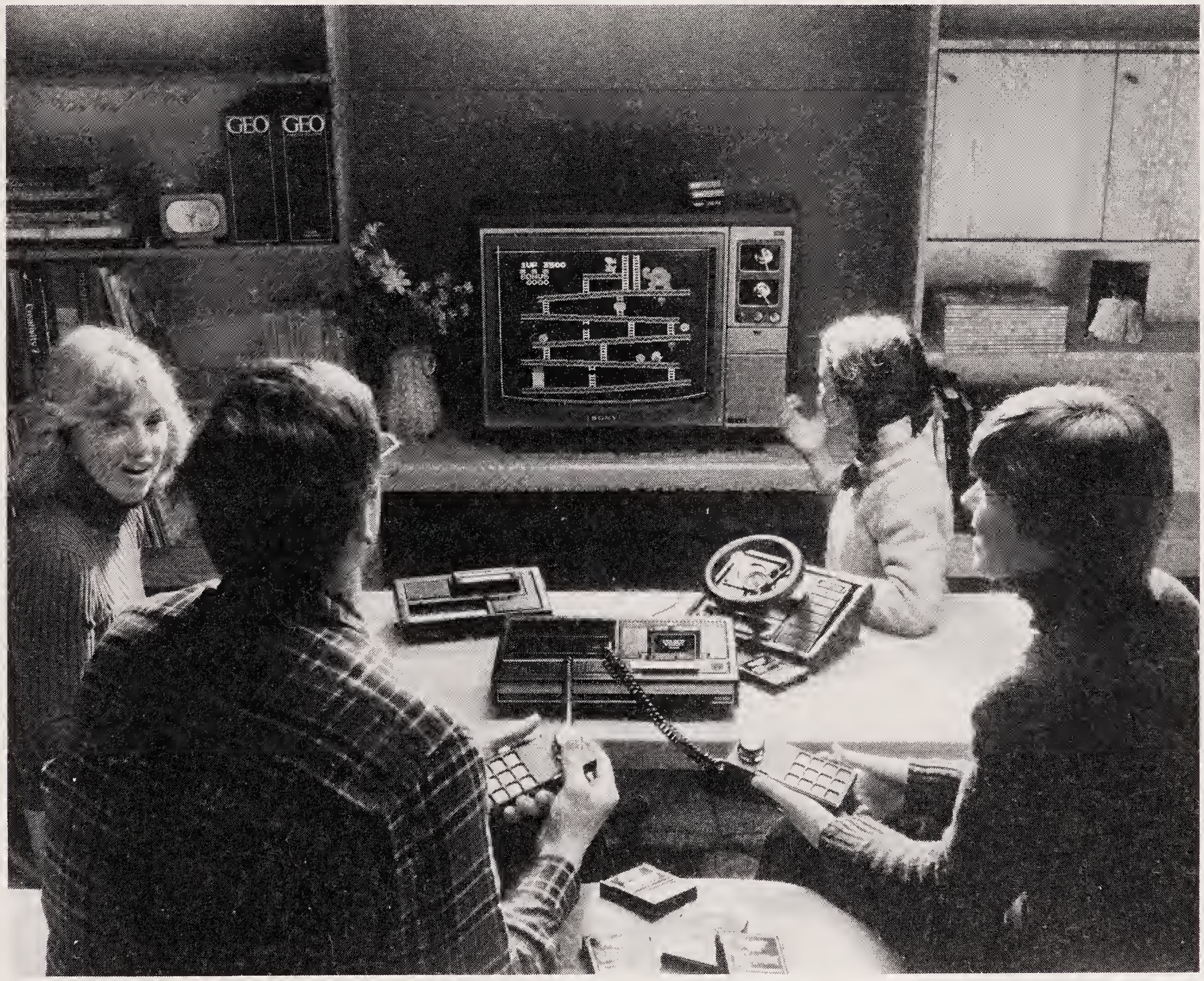
At the time electronic technology was developing, government economic policies encouraged business growth. Lower tax rates for corporations made it possible for businesses to put more money into expansion and product development. Also at this time, interest rates were low. Therefore, credit was available for business ventures.

Together, reduced taxes, low credit rates, and new technology set the stage for the growth of the electronic industry. As a result, many companies began to develop and sell electronic games and equipment.

Competing for profits

Whenever there is a large demand for a product, there is a potential for profit. Investors who saw the rising demand for electronic games and equipment also saw the promise of profits. They invested their money expecting to receive a good return on their investments. Companies who saw the rising demand for electronic games expanded production to meet consumer demands.

Competing for these profits encouraged the development of new and better electronic games. Companies began producing a greater variety of electronic game features and accessories, 1-6. They improved the quality of their products and lowered the prices. Our market economy worked, and both consumers and producers benefited.



COLECO INDUSTRIES, INC.

1-6 As a result of competition, companies produced new and better electronic games at lower prices.

to Know

anti-trust laws
consumers
fiscal policies
inflation
law of scarcity
monetary policies
monopoly
producers
productive resources
progressive tax
recession
supply and demand

to Review

1. What are the six basic principles on which our economic system is based?
2. What are the three basic economic problems common to all societies?
3. Why are profits and competition necessary for our system to work?
4. How does the government influence economic problems?
5. What is the purpose of anti-trust laws?
6. How does the government pay for public schools, highways, airports, parks, and police and fire protection?
7. True or false. All taxpayers pay the same amount of taxes regardless of their incomes.
8. Name the two basic goals of government taxing and spending.
9. How does the government redistribute income?
10. How can fiscal policies be used to stimulate the economy? How can they be used to slow down the economy?
11. How can monetary policies be used to stimulate the economy? How can they be used to slow down the economy?
12. Name three things a producer must have to be successful in a market economy.

to Discuss

1. What can you gain by learning more about our economic system?
2. What productive resources do you and your family have?
3. How do you and your family decide what needs and wants to satisfy?
4. What major economic decision has your family had to make recently?
5. How do you and other consumers affect supply and demand?
6. In your state, how much sales tax do you pay for every dollar you spend? How does the government use this money?
7. How did the demand for delivery service influence Joey to go into business?
8. What influence did Mrs. Casey have on the delivery service in her neighborhood?
9. How did the competition between Joey and Darlene affect the delivery service in their area?

to Do

1. Make a list of all the things you want and need for the next 10 or 15 years of your life. Don't forget to list food, clothing, and some form of housing. What resources will you use to get what you want and need? Will you be able to satisfy all your wants? What compromises or choices will you have to make?
2. If you live in a village or city, make an appointment to visit a local government official at your village or city hall. Find out how your village or city assesses local taxes and what services they provide. If you do not live in a village or city limits, visit the village or city hall closest to your home. Find out what services the village or city provides that you do not receive or that you have to pay extra to receive. Ask about police and fire department services, water and sewer service, garbage collection, etc.
3. At your local library or government agency, find out about the many agencies of the federal government. Look through the *U.S. Government Manual* for information or ask the librarian for other available resources. Make a list of all the federal government agencies you find listed. Then research one agency in detail. Report your findings to the class.

WENDY'S

All economic systems are based on the fact that resources are limited while needs and wants are unlimited. Therefore, choices must be made. This young man has chosen to give up his free time after school to earn money working at a fast food restaurant.

Shopping List
Chicken Cutlets
Shells of Beef
$1.59
$1.19
$1.29
Campbell's Soup
OVERSEAS SAVINGS ACCOUNTS
SUPER CHECKING
Savings Accounts
Individual Tax-Sheltered Plan
Co-op Apartment Loans
$302.68
$246.55
Balance

JERRY SARAPOCHIELLO

2

You in our economy

After studying this chapter, you will be able to:

☐ Describe a market economy.
☐ Explain the economic activities and problems of consumers in a market economy.
☐ Describe a command economy.
☐ Compare the major differences between a market economy and a command economy.

Our *market economy* is, in a way, like our democratic form of government. It is designed to respond to the people and reflect the decisions and choices of the people. That is why your economic decisions and activities are important. What you say and do affects the way you live and the way our economy works.

In a *command economy,* individual economic decisions and activities are not as important. Under a socialist or communist form of government, the state or other central authority decides how to use and distribute resources. Consumer choices and needs do not determine what will be produced or how the economy will function.

To play your role in our market economy well, you need to understand how the economic activities and problems of consumers affect the overall economy.

ECONOMIC ACTIVITIES OF CONSUMERS

Consumers in a market economy perform economic activities every day. They earn, spend, and save money. They borrow money and charge purchases. They buy and sell property. They share financial risks through insurance. They pay taxes and vote on economic issues. The way consumers perform these activities determines how well they live and how well the economic system works.

Earning

Your ability to get work and your job performance help determine how much you will earn.

Your ability to get work depends on your job skills, experience, and education. It also depends on your career choice and the demand for that career in the job market, 2-1. Demand in the job market varies. The *Occupational Outlook Handbook,* published by the U.S. Department of Labor, can help people choose careers with promising futures. Examples of careers in great demand are those in electronics. People who choose these careers and have the right qualifications can earn high salaries.

Your job performance helps determine how far and how fast you will advance in your job. As you advance, your income will increase. Your job performance also determines your contribution to the nation's wealth which is measured largely by the output of goods and services per worker.

This helps explain how your earning activities contribute both to your personal wealth and to the nation's wealth. At the same time, the state of the economy affects your earning potential. Economic conditions affect the number of jobs that are available, the type of work in demand, and the salary levels of jobs.

The link between your earnings and the national economy is significant. It establishes your personal standard of living as well as the national standard of living. Your *personal standard of living* refers to the goods and services you consider essential for living. The *national standard of living* refers to the goods and services the majority of people in the nation consider essential for living. Depending on your income, your personal standard of living may differ from the national standard. As your income increases, your personal standard of living will probably rise as well.

Spending

The way you spend your money determines how much satisfaction you can gain from the amount you have to spend. Getting the most satisfaction for your money requires careful choices in the marketplace.

Your spending choices help create a demand for the goods and services you buy. You contribute to the profit and success of the businesses from which you buy. Your spending, alone, may not have a great impact in creating supply or supporting one business over another. But as a group, you and other consumers can determine the success or failure of specific goods, services, and businesses.

Consumer spending also affects the state of the economy. When consumers are confident, they tend to spend more of their incomes. This creates a greater demand for goods and services. Businesses expand to meet the increased consumer demand. As they expand, they create more jobs. The economy in this state is described as "healthy."

When consumers are doubtful about their economic future, they tend to spend less and save more. This lowers the demand for goods and services. Businesses slow down because sales decline. Jobs become harder to find. In this condition, the economy is described as "lagging."

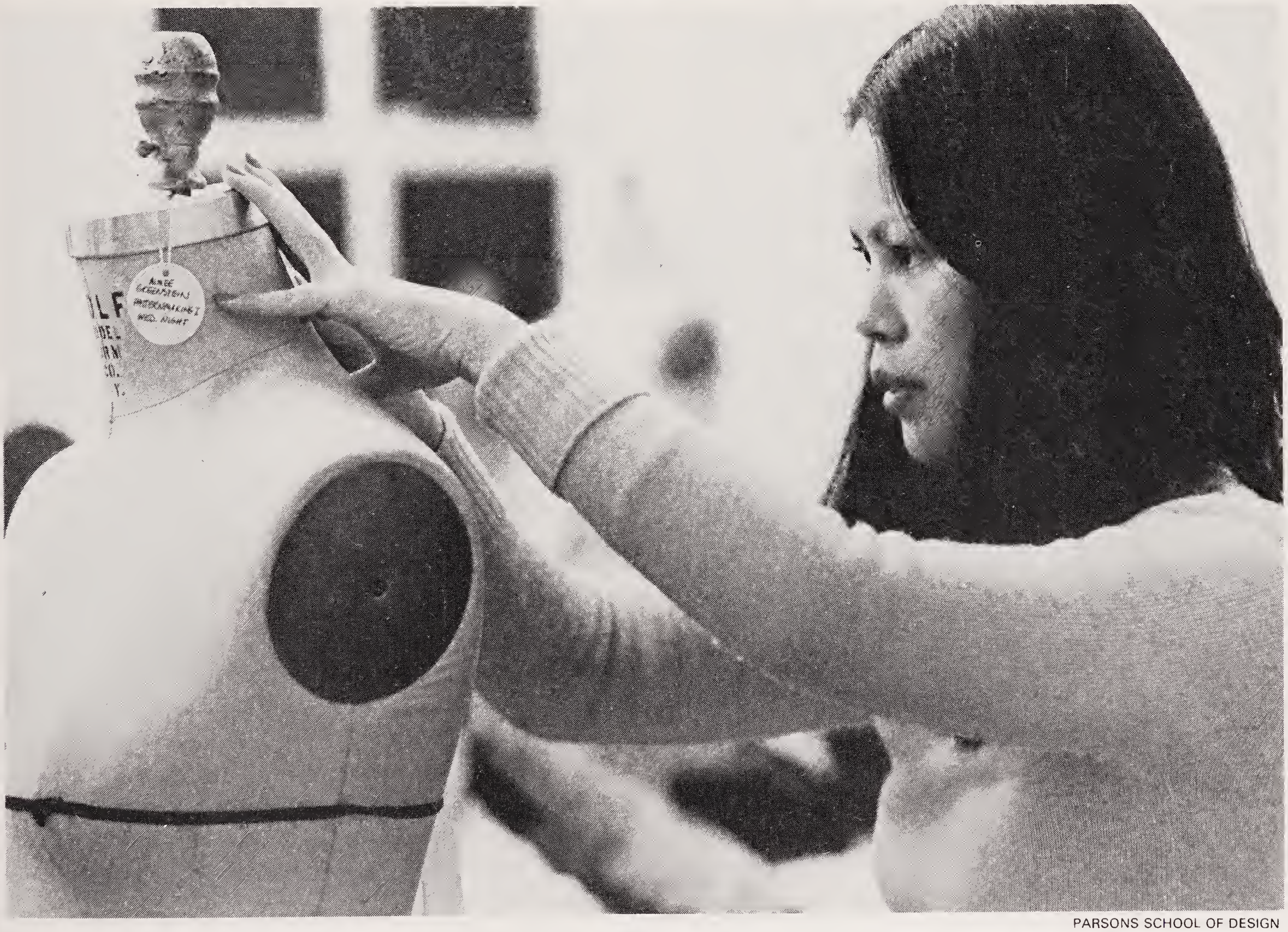
Saving

People generally think of savings as money they put aside in a special savings account for later use. But in its broadest sense, anything that improves your financial position is "saving." This includes the cash in your wallet as well as the money in your checking account. It includes the contributions to the retirement fund you will collect someday and the cash value of your life insurance policy. House payments, home improvements, and the purchase of durable goods are also forms of savings. Furniture, appliances, and cars are called *durable goods* because they have lasting value. "Savings" in all of these different forms increases your financial welfare and security.

In our private enterprise economy, the

DEPT. OF LABOR

2-1 Some careers require special training, job skills, work experience, and education. Your career choice helps determine your earning power.



PARSONS SCHOOL OF DESIGN

money people save in banks and other financial institutions is pumped back into the economic system. The money you and other consumers save is loaned to businesses and consumers. It is used to pay for business growth, building construction, and the purchase of homes. Savings used in this way generate more jobs, greater productivity, and a growing economy. Therefore, the health of the economy is closely related to the amount of national income that is saved and pumped back into the system.

Borrowing

Each time you use a credit card, buy something on an installment plan, or take out a cash loan, you are borrowing. All these forms of credit let you buy now and pay later. In most cases, you pay a finance charge for using credit. This is why buying with credit usually costs more than buying with cash. Credit is costly in another way too. When you use credit, you are spending future income. This means that part of what you earn in the future must be used to pay what you owe.

With credit, you can buy costly goods and services as you need them and pay for them over a period of time. Borrowing is sometimes the only way consumers can pay for major purchases. Without credit, some consumers could never buy a house, a car, or a college education.

Consumer borrowing has two important effects on the economy. It increases the amount of money in circulation, and it increases the demand for consumer goods and services. For example, when you borrow money, you have more money to spend right then. As you and other consumers spend borrowed money, you increase consumer demand in the marketplace.

When the economy is slow and production is down, the use of credit can be helpful. As it increases consumer demand, it can stimulate productive activities. But when inflation is a problem, credit can make it worse. When more money is in circulation, consumers have more money to spend. When the supply of money increases faster than the supply of goods and services, prices rise. Inflation worsens.

Another reason for the cautious use of credit is its long-term effect. Using credit increases immediate consumer demand, but it decreases future consumer demand. Future demands are reduced because a portion of future income will have to be used to pay credit debts.

Insuring

You and other consumers can share financial risks related to life, health, and property. You can do this by joining thousands of other consumers who buy insurance policies. The premiums you and other policyholders pay for insurance are combined and invested by insurance companies. These premiums and their earnings are used to pay policyholders who suffer financial losses that are covered by their insurance.

Life insurance protects families against financial losses that result from death. Most often life insurance covers the wage earning members of a family. If a wage earner dies, income is still available. Health insurance protects against the expense of illness and injury, 2-2. Property insurance covers the loss of or damage to property. It can be bought for personal possessions, a car, or a home. Liability insurance protects against financial losses that result from injury to other people or damage to the property of others.

Investing

In addition to saving money, people can try to improve their financial position through investments. Real estate, stocks, bonds, private businesses, and valuable items like antiques are all investments. Generally, investments offer a greater return on money than savings accounts. However, the risk of loss is greater for investments than for savings accounts. It is the desire for profit that motivates people to invest.

The money people invest pays for a large share of business growth and activity. Businesses look to investors for funds to help pay for new plants and equipment. Investments also help pay for the development of new methods and materials and the marketing of new products and services.

For example, if an airline company needs new jet planes, it may issue new stock for sale to the public. When investors buy the stock, the company gets the money to pay for its new planes. Building the planes creates jobs. Operating the planes creates more jobs, better service for consumers, and a profit for the company. If the company continues to make a good profit, the price of the stock may rise. This would encourage more investors to buy stock in the company with the hope of making a profit.

Paying taxes

People spend a large share of their income on taxes. Tax money pays for government operations and services. Local, state, and federal governments levy different types of taxes such as income tax, sales tax, and property tax. The money collected from taxes pays for the goods and services that citizens need and want from the government.

In our system, the people decide indirectly what the government will provide and what tax rate they will pay. Citizens make these decisions by voting, communicating with their elected representatives, and taking part in government.

Government spending of tax money creates demands for goods and services. These demands are usually met by private businesses. For example, government pays for public schools with tax dollars. The schools are built by private contractors with materials produced by private industries. In this way, government spending for public goods and services stimulates the economy. It feeds money into the economy, creates demands for goods and services, stimulates business activity, and creates jobs.

Government spending, on the other hand, can have a bad effect on the economy. Inflation occurs if the combined demands of government and consumers are greater than the capacity to produce. This is why reductions in government spending help fight inflation.

Voting

Voting gives consumers a voice in government. The votes cast in elections influence economic policies and government activities. By voting and communicating with elected government representatives, consumers help direct government decisions.

Being active in community organizations

HEALTH INSURANCE ASSN. OF AMERICA

2-2 If a person is hospitalized due to injury, health insurance will help pay the medical bills.

can also give consumers greater influence over government activities. For instance, a citizen may be concerned about education in the local schools. That citizen can become involved in the PTA, run for election to the school board, or do volunteer work in the schools. Through such activities, the citizen can voice opinions and influence policies.

Consumers must accept responsiblity for all their economic activities, from earning and spending to paying taxes and voting. By making their dollars count in the marketplace and their votes count in elections, consumers can influence the overall economy.

ECONOMIC PROBLEMS OF CONSUMERS

Our economic system offers you, the consumer, both the privilege and the challenge of making economic choices. You are free to choose how to earn a living and what to do with your money. These freedoms allow you to get the most satisfaction from your income.

Free choice, however, does not guarantee satisfaction. For a variety of reasons, consumers often make poor choices. These poor choices are a major cause of consumer economic problems.

Certain characteristics of our market economy complicate the process of making choices. We have a complex system of markets with a vast variety of goods and services. Sometimes questionable selling methods and the conflict of interest between consumers and sellers cause poor choices to be made. In some cases, consumers create their own problems. They may fail to plan spending, to use reliable information, to spend carefully, or to communicate clearly with sellers.

By knowing the problems related to economic choices, you will be prepared to deal with them and, when possible, to avoid them.

Complex markets

A market economy permits businesses to compete with each other. As a result, the same or similar goods and services are available from a variety of outlets. These include supermarkets, specialty shops, department stores, discount stores, catalog order houses, and door-to-door sellers. Choosing a reliable seller and finding the best product for the best price is always a challenge and sometimes a problem.

Confusing variety of products

A free market system supports the development of new products and ideas. The system rewards producers who give consumers what they want. As a result, the variety of goods and services found in our marketplace is astonishing.

Consider all the fabrics and clothing styles you can buy. Consider the many sizes, models, and features of cars. Count the specialties in medical care and the number of choices in home furnishings. Think of the many forms of consumer credit, the types of insurance, and the ways to save and invest money.

The many choices open to consumers in nearly every aspect of spending and saving make it difficult to choose intelligently. Just keeping up with what's new is a full-time job. Having to choose from so many alternatives presents a problem for most consumers at one time or another.

Questionable selling methods

In a system where the survival of a business depends largely on attracting consumer dollars, selling plays an important role. Every business wants to sell as much as possible at the best prices possible. With this goal in mind, most businesses advertise and market their goods and services aggressively.

A few businesses use questionable selling methods to increase their sales and profits. Techniques such as high pressure selling, emotional appeals in advertising, contests, and free prizes encourage consumers to buy for the wrong reasons. Too often, factual information is not part of a sales pitch. It is up to consumers to focus on what is important to them for each purchase.

Conflict of interest

Basically, consumers and producers want different things. Suppose you are the producer of tape recorders. You want to sell as many tape recorders as you can at the highest price you can get. You want to be able to pay your expenses and make a good profit. When you, as a consumer, go out to buy a tape recorder, you want the best recorder you can get at the lowest possible price. You want to have money left over to spend for other things. In other words, producers want the highest price they can get so they can earn high wages. Consumers want the best quality at the lowest price.

In a market economy, wages and prices are tied to the forces of supply and demand. We depend on these forces to achieve the proper balance between wages and prices. The free market system helps resolve the conflict of interest between producers and consumers by striving to meet the needs of both.

Lack of planning

Some of the worst consumer economic problems are caused by the lack of planning. When consumers fail to plan ahead, they have little or no direction for their spending. They have no goals for the use of income and little or no savings for future needs. Lack of planning also makes it difficult to control the use of credit. With no economic plan, each month's expenses may come as an unhappy surprise.

Consumers who do not plan ahead may have trouble meeting routine monthly bills. They are often totally unprepared for occasional expenses such as birthday gifts, insurance premiums, vacations, and taxes. In later life, these consumers may not be able to invest wisely, send their children to college, or retire financially secure.

Planning is the only way most consumers can pay all their bills without running out of money. Careful monthly and yearly planning is especially important on a long-term basis. It allows people to match their highs and lows of expenses with their highs and lows of income over a lifetime. See 2-3.

Failure to use information

Uninformed choices cause problems for consumers every day. For example, a young man bought a secondhand car because the price was right. Later, he learned that he couldn't drive it because the insurance would cost as much as the car, and he couldn't afford it.

A young woman signed up for an $800 correspondence course in communications. She

PLANNING CALENDAR
JANUARY
FEBRUARY
MARCH
APRIL
MAY
JUNE
JULY
AUGUST
SEPTEMBER
OCTOBER
NOVEMBER
DECEMBER

DEPT. OF LABOR

2-3 Planning for monthly, yearly, and future expenses can help you budget your income wisely.

didn't finish the course because the assignments took more time and hard work than she had expected. She lost her $800.

A young couple took a $1200 trip to Mexico. When they arrived in Mexico, they learned that it was the rainy season. Their hotel wasn't near anything they wanted to see and do. And meals were not included in the vacation package as they had thought.

All three of these situations could have been prevented by the use of available information. Consumer information is available for almost every product and service consumers can buy. Information sources include product labels, instruction booklets, warranties, and magazine articles.

People are sources of consumer information too. Salespeople and consumers who have had firsthand experience with specific products and services can be helpful. The fastest and easiest way to get information is to ask questions!

Where health, safety, or large amounts of money are involved, finding the facts is especially important. Making uninformed choices can be costly, disappointing, and even disastrous.

Careless spending

Even informed consumers sometimes indulge in careless spending. Look at these examples. Ginny buys a pair of red shoes because they are on sale. They are the right size, the right price, and a pretty style. Unfortunately, she has nothing in her wardrobe to wear with them. George goes to the grocery store for a loaf of bread and ends up spending $12 for groceries.

Most consumers at one time or another do a little impulse spending. They sometimes choose by habit rather than thought. However, when done regularly, careless spending can "eat up" a sizeable amount of money.

Ineffective communication

Consumers have much to gain by communicating effectively with producers and sellers, 2-4. Good communication can save consumers time and money. Most businesses want to know the likes, dislikes, wants, needs, and problems of their customers. Failure to speak up, ask questions, and complain when necessary can be costly.

For example, Shirley bought a $15 calculator at a book store. After using it for a week, the plus (+) lever jammed, and the calculator wouldn't work. Shirley was furious. She threw the calculator away and vowed never to go back to the book store.

Toward the end of winter, Jerry bought a pair of skis for $90 on a Wednesday. The following Saturday, the day before Jerry planned to go skiing, the same skis went on sale for half price.

Laurie called to request servicing for her color television. She was told that a repair person could service it on Monday afternoon. Since Laurie worked during the week, she arranged to take Monday afternoon off. She was docked $20 from her paycheck. Later she learned that the repair person could have come on Saturday or in the evening.

In each of these situations, better communication would have saved money. Shirley could have received a refund or a new calculator. If Jerry had asked, he would have been told of the upcoming ski sale. If Laurie had requested it, she could have had her TV repaired in the evening or on Saturday.

CONSUMERS IN A COMMAND ECONOMY

In the United States and other countries with a market economy, consumers are free to make many choices. They choose how they want to earn and spend money. They choose how they want to use their resources and how they want to live.

In countries with a command economy, the government owns and controls the important economic resources. The government makes most of the economic decisions. Few choices are given to consumers.

By learning how consumers live and work in a command economy, you can better understand our own economic system. There are many market and command economies.

However, our market economy is most often compared with the command economy of the Soviet Union.

In the case studies that follow, you will read about Ivan, Olga, Yuri, Tania, Mariya, and Sasha. They are all typical Soviet consumers living in a command economy. Although the names in these case studies are ficticious, the experiences are based on factual information.

Case Studies

IVAN AND HIS AUTOMOBILE

Ivan is 32 years old. He lives in Moscow. He works as a chemist and earns around 220 rubles per month (close to $300). Ivan lives in a one-room apartment and has no family.

Since Ivan's living expenses are low, he was able to save enough money to buy the smallest, least expensive car on the market. The car sold for $16,200 in American money. Ivan was on a waiting list for his first car for almost five years.

When the car arrived, Ivan used his savings to pay for it with cash. (Credit is available only for slow-selling products.) Ivan had hoped for a red car with a sun roof and several other extras. He made no complaint when the car turned out to be black with no extras. After waiting five years, the extras seemed rather unimportant.

As Ivan drove away, he was very conscious of being one of the "elite." Very few men in Moscow have the chance to own a car.

Ivan was very happy. His pleasure, however, ended three months later when the car broke down. The problem was not serious, but replacement parts were needed to

THE NORTHERN TRUST COMPANY

2-4 Communicating with knowledgeable people helps consumers prevent mistakes and take advantage of opportunities.

repair it. Ivan had to wait three months. A short time after the car was repaired, the windshield wipers were taken. It took six weeks to get new ones.

Over the years, Ivan has had many problems keeping his car in running condition. For weeks and months at a time, he has been unable to drive it. Still, he feels lucky to own the car. It is his most treasured possession.

Questions to discuss

1. How is buying and owning a car different for Ivan in the Soviet Union than it might be for you in the United States? Why do you think it is different?
2. What are some advantages of limiting the production and private ownership of cars? Do you think that Americans need as many cars as our economy produces?
3. If public transportation were more convenient and less expensive, would you want to own a car? Do you feel that you have a right to decide for yourself whether or not to buy a car? Why?

OLGA FEEDS HER FAMILY

Olga is 25, married, and the mother of two preschool children. As a full-time secretary, she works eight to ten hours a day outside her home. Her husband is an engineer. He works the same long hours each day, six days a week. Together, they earn almost 500 rubles per month ($750). This is considered a very good income, yet they spend almost half of it for food.

Olga's day begins at 5:30 a.m. She gets up, dresses, and goes shopping for food. She shops daily because food is in short supply and her refrigerator space is very limited. By choice, Olga shops before work. The stores are often out of the foods she needs by the time her office closes.

Each morning Olga goes to three or four stores. She shops at a bakery, a butcher shop, a store for cheese and eggs, and another shop for fresh fruits and vegetables when they are available. The shopping takes at least an hour each morning. Olga has to stand in three separate lines in each store. In one line, she selects and orders what she needs. In another line, she pays and gets a receipt. In the third line, she picks up her purchases and turns in the receipt.

Olga then hurries home so she can fix breakfast for her family. After feeding and dressing the children, she takes them to the day care center on her way to work.

At noon, Olga often spends her lunch hour at the central market in town. She buys the foods that were not available in the stores near her home. She and several other women in the office share the noon-time shopping. Each takes a day so that no one has to shop every day.

After work, Olga comes home and prepares dinner for her family. She makes everything from scratch. Very few convenience foods (foods that are partially prepared or ready-to-eat) are available. Olga spends so much time shopping and cooking that feeding her family is like a second full-time job for her.

Questions to discuss

1. How much time each week do members of your family spend shopping for food? How would the way you live change if shopping required one to two hours out of each day?
2. What are the advantages of small specialty shops over large supermarkets? What are the advantages of supermarkets?
3. About what portion of family income goes for food in the United States? Why do you think Americans on the average spend a lower percentage of their income for food than the Soviets?
4. How often does your family eat convenience foods? How would your eating habits change if these foods were not available?
5. How do you think feeding Olga's family is different from feeding your family?

YURI TAKES A VACATION

Yuri is 23. He lives and works in Leningrad. Yuri has been on the job for three years. He works hard and is rarely absent.

Yuri's good work record has earned him a *putyovki,* a highly coveted vacation pass. It entitles him to spend 24 days at a *sanatoria,* a country rest home. The home is located near Riga. The cost of the vacation is only 85 rubles ($125). This covers all of his expenses except the train fare from Leningrad to Riga which costs 25 rubles ($40).

Yuri has been assigned to take his vacation the first few weeks in May. He feels fortunate because May is one of the best times to go for good weather. In past years he was assigned time in December and February.

Although Yuri has always wanted to vacation in Paris, he takes the vacation pass to Riga. So far he has not been given permission to leave the Soviet Union.

When Yuri arrives at the sanatoria, he finds his vacation well planned for him. He is given a daily schedule and a diet. The rest home, like many others across the Soviet Union, is scientifically planned for his health, rest, comfort, and relaxation.

Yuri's day starts at 7:30 a.m. and officially ends at 10:00 p.m. Lights are out and doors are locked at 11:00 p.m. During the day, activities follow a planned time schedule. The activities include early morning exercises, medical treatments, and three meals plus afternoon tea. Also included are one quiet hour in his room, one free hour, a walk on the beach, and cultural activities. The medical treatments differ for each person, but all the other activities are the same for everyone.

This is not exactly the type of vacation Yuri would have planned for himself. However, he does come back well rested. And the vacation cost him only 110 rubles ($165) for the 24 days.

Questions to discuss

1. While there are other ways to vacation in the Soviet Union, the putyovki (vacation pass) is very popular among those fortunate enough to receive one. This type of vacation costs very little because it is subsidized by the government. What do you think are the advantages of this vacation system? How does it differ from typical vacations for Americans?
2. Family vacations are usually difficult to arrange in the Soviet Union. Very often both husband and wife work, and they rarely are assigned the same vacation time. As a result, children are sent to Pioneer Camps run by the government, and the husband and wife take separate vacations. How would this arrangement work out for your family? In what ways is it a good idea? What would you dislike about this vacation system?
3. To what extent would you be willing to give up free choice vacationing for low cost vacationing?

TANIA VISITS THE DEPARTMENT STORE

Tania is 21. She lives in Moscow in an apartment with her parents and older brother. Tania works in an office close to her home.

Tania is always on the lookout for fashionable clothes and fabrics and attractive, comfortable shoes. At G.U.M., the major department store in Moscow, daily fashion shows feature the latest clothing styles. However, only the patterns and fabrics are available for sale, not the actual clothes. Stylish ready-to-wear clothes are hard to find in the Soviet Union. Good shoes and boots are also very hard to get.

Like most of her friends, Tania carries extra cash in case she sees something she wants to buy. There are no charge accounts or credit cards in Soviet stores. Since consumer goods often are in short supply, Soviets carry extra cash. Then they can buy on the spot when scarce goods are unpacked in the stores.

Each lunch hour, Tania shops at G.U.M. She hopes to find fabrics, boots, handbags, or other choice items for herself and her friends. The women at work do the same for her.

One lucky day, Tania found some beautiful Spanish shoes. When she saw people lined up at the shoe counter, she knew something "good" had just been unpacked. Fortunately, the line had just formed. Only nine or ten others were ahead of her. She bought not one, but three pairs of shoes—one for herself, one for her mother, and one for a girl in her office.

Often 20 or 30 shoppers line up for a scarce item. At times, people get in line not even knowing what is being sold at the other end. Sometimes Tania waits an hour in a line only to see the last item sold shortly before her turn.

For Tania, successful shopping is being at the right place at the right time with enough cash to buy rarely available goods.

Questions to discuss

1. When have you had trouble finding what you wanted to buy in the stores? Why do you think you had trouble?
2. How would you explain the shortage of consumer goods in a command economy?
3. What economic goals, if any, do you think are more important than the goal of satisfying consumer wants? How do you think those goals could be met in a market economy?

MARIYA AND SASHA LOOK FOR AN APARTMENT

Mariya and Sasha are in their early twenties and live near Moscow. They plan to be married as soon as they can find a place to live. Mariya lives in a two-room apartment with her mother and grandmother. They share a kitchen and bath with another family living on the same floor. Mariya works in a factory an hour away from her home. Sasha works in the same factory. He lives an hour away in another direction in a small apartment with his mother, father, and sister.

Mariya and Sasha spend their Sunday afternoons together in an old section of Moscow. People gather there to make apartment switches and to find living space. Hundreds of people carry handmade signs advertising living quarters to trade or living space wanted.

Housing trades and agreements are often made among the people. However, no agreement is legal until it is approved by the city authorities. To get approval, the parties involved must show their registration cards. The cards prove that they have permission to live in Moscow. In addition, the agreement must not violate living space restrictions for different categories of people.

Mariya and Sasha both have valid registration cards. Since they have no children, they qualify for no more than a one-room apartment. However, that is no problem. If they can get it, Mariya and Sasha will be very happy with one room. That would be better than moving in with either of their families as so many of their married friends have done.

After several months of searching, they make an agreement with an older gentleman. The man plans to leave Moscow to live in the country. He is offering a one-room apartment for a cash payment rather than an exchange for other living space. Mariya and Sasha agree to pay him 200 rubles ($300) to get the apartment. This is most of their savings, but they consider it a good bargain.

They will not see the apartment until later. They do know that the apartment is in a fairly new building not far from their work. More important, it will be theirs. For this, they are willing to overlook any undesirable things about their new home.

Questions to discuss

1. How would a severe housing shortage affect you now and during the next ten years?
2. Housing costs in the Soviet Union are controlled by the state and are very low compared to those in the United States. To what extent would you be willing to sacrifice privacy, quality, and availability of housing to cut your housing costs by 80 to 90 percent?
3. Why is housing likely to be more limited in a command economy that in a market economy?
4. In a market economy, what would happen to housing costs if housing were in short supply? How would this affect the productive resources used in housing construction?

to Know

command economy
durable goods
market economy
national standard of living
personal standard of living

to Review

1. In what way is our market economy like our democratic form of government?
2. Name the eight economic activities of consumers.
3. How can a person's income affect his or her personal standard of living?
4. How does consumer spending affect the state of the economy?
5. What are the two major effects consumer borrowing has on the economy?
6. How does the use of credit affect an inflated economy?
7. How does the use of credit affect immediate consumer demand and future consumer demand?
8. Name four common ways consumers create problems for themselves in a market economy.
9. What questionable selling methods do some businesses use to increase their sales and profits?
10. Explain the conflict of interest between consumers and sellers in a market economy.
11. Some of the worst economic problems are caused by the lack of ______.
12. Name five sources of consumer information.

to Discuss

1. What industries suffer more than others when consumer spending is down? For example, what happens to the housing and construction industry? When the construction industry suffers, what related industries are likely to suffer also? What might happen to employment figures in these industries?
2. How does the economy depend on consumer saving and investments?
3. How do you go about registering to vote in local, state, and federal government elections?
4. How do you communicate with sellers? What would you do if:
    a. You bought a radio and it stopped working in a short time?
    b. You couldn't find a nationally advertised item in any of the stores in your area?
    c. You received very prompt, competent service in an auto repair center?
    d. You bought a product and found that it did not live up to the advertisement's claims?
5. What consumer problems do you consider most serious? What do you think can be done about them?
6. How does the command economy of the Soviet Union differ from the market economy of the United States?

to Do

1. List five economic activities that you and/or your family have done in the past few weeks. How would you have done them differently in a command economy? Record the differences and discuss them with the class.
2. Explain how the savings, investments, and insurance premiums of consumers can become the source of credit for consumers and businesses. Illustrate your explanation with a chart or drawing. Show the flow of money from the consumer to the financial institution, insurance company, or stock market and to the other consumers and businesses.
3. Using travel guides, books, and encyclopedias, make a chart comparing our economy with the economy of another country. Include information on:
    a. Living conditions in the country.
    b. Price comparisons for similar goods and services.
    c. Restrictions on economic activities or travel.
    d. "Good buys" according to shopping guides.

SALE

part
two

Making decisions

3 You, the consumer, 41
Consumer rights, Consumer responsibilities, Consumer complaints, The informed consumer, Values, Goals, Standards

4 You, the manager, 57
Identifying and using resources, Making decisions and solving problems, The art of management, Planning, Doing, Evaluating, A money management plan

5 You, the shopper, 75
Understanding the marketplace, Our market economy, Places to shop, Selling methods, Shopping information, Making shopping decisions, General shopping guides

HOT 100
Single This Week
EBONY & IVORY
LP This Week
ASIA
RECORDS & TAPES
Record Bar
"SOUNDS DELICIOUS!"
ROBERTA FLACK
LANDSLIDE
Rock & Soul 45's
Rock & Soul 45's
Rock & Soul 45's
Rock & Soul 45's
Rock & Soul 45's
Rock & Soul 45's

THE RECORD BAR, INC.

3

You, the consumer

After studying this chapter, you will be able to:

- ☐ Describe the rights and responsibilities of consumers.
- ☐ Identify many sources of consumer information.
- ☐ Write a complaint letter about a consumer problem.
- ☐ Explain why it is important for you as a consumer to identify your values, goals, and standards.

There are many types of consumers. Some are informed, confident, and competent. Others are gullible, uninformed, fearful, and suspicious. You can be whatever type of consumer you want to be. Keep in mind, however, that being a confident, competent consumer pays big dividends.

To be a competent consumer in the marketplace, you need to be aware of your rights and responsibilities. You need to know where to seek consumer information about products, services, consumer laws, and economic conditions. You also need to have a well-defined set of values, goals, and standards. Then you will have what it takes to be a confident consumer, capable of making wise decisions.

CONSUMER RIGHTS AND RESPONSIBILITIES

In the 1960s, President John F. Kennedy defined the rights of the consumer as the right to safety, the right to be informed, the right to choose, and the right to be heard. To safeguard these rights, a number of laws have been passed. These laws not only protect consumers from unfair business practices. They also protect responsible producers from dishonest producers.

Along with their rights, consumers also have responsibilities. They are responsible for using products safely. They are responsible for seeking out information and using it to make decisions. Consumers are responsible for choosing goods and services carefully from the wide variety available. They also have the responsibility of speaking up and letting their likes and dislikes be known.

The right to safety

All consumers have the right to be protected against dangerous goods and services. Two government agencies that set and enforce safety standards for products and services are the *Food and Drug Administration* (FDA) and the *Consumer Product Safety Commission* (CPSC).

The FDA keeps a close check on the sale of food, drugs, and cosmetics. If FDA inspectors find any product to be harmful or hazardous, they can stop the sale of the product. Or they can require a safety warning to be placed on the product.

The CPSC ensures the safety of products such as household appliances, toys, and tools. It investigates consumer complaints about any of these products. If it finds a product to be dangerous, CPSC can ban the sale of the product or require the manufacturer to repair or replace the product.

On the other hand, consumers are expected to use products with care. Consumers should read all the information and directions that come with a product when it is purchased. When a safety problem does occur, it should be reported promptly. The store where the product was bought and the manufacturer of the product should be contacted. If the problem is serious, the appropriate government agency should also be informed of the hazard.

The right to be informed

Consumers have the right to be protected against false and misleading information about goods and services. They need accurate information to make wise decisions.

The information consumers need to know about a product or service depends on what they are buying and how they are planning to use it. Advertising, product labels, warranties, and articles in newspapers and magazines are all sources of consumer information. Advertising is one of the most available sources but not always the most reliable. However, there are laws that prohibit advertisers from giving false information and misleading the public.

When information about goods and services is available, consumers have the responsibility to seek it out and use it. Using a wide variety of information sources is a good rule to follow. By making good use of available information, consumers can avoid buying products and services that do not meet their needs.

The right to choose

Consumers have the right to select the goods and services they want to use. To make free choices, consumers must be offered a variety of goods and services at competitive prices.

If a product or service were provided by only one company, that company would have a monopoly on it. In other words, if you wanted to buy that product or service, you would have to buy it from that one company. You would have no choice of price or quality.

To assure consumers the right to choose, there are laws that prohibit monopolies and encourage competition. With more competition, consumers have a larger selection of products and services.

When a variety of goods and services is available, consumers have the responsibility to choose carefully, 3-1. They should select products and services that fulfill their needs at prices they can afford to pay. They should also choose to deal with businesses that are reputable.

The right to be heard

When a product or service is not satisfactory, consumers have the right to complain. They should be assured that their concerns will be heard and that action will be taken.

Sellers and manufacturers can correct most consumer problems. Many companies and stores have a department set aside just for handling consumer complaints. If for some reason a problem cannot be solved at this level, a complaint can be made to an appropriate government agency or the nearest Better Business Bureau. *Better Business Bureaus* (BBBs) are nonprofit organizations sponsored by private businesses. They attempt to settle consumer complaints against local business firms. Some BBBs also provide general information on products and services.

Some problems are beyond the help of consumer-oriented government agencies and BBBs. In these cases, consumers may need to turn to the legislative or judicial system. State legislators can be contacted for problems on the state level. At the federal level, federal legislators can be contacted. If many consumers are having the same problem, a change in law may be needed.

Judicial proceedings—taking a case to court—should be considered only as a last resort for settling a consumer complaint. Most companies and consumers would prefer to settle claims out of court.

All consumers have the right and the responsibility to express their likes and dislikes to producers and sellers. Unless consumers communicate, producers may never become aware of their needs and wants.

CONSUMER COMPLAINTS

What do you do when you buy a new product and you have a problem with it? What happens when you are overcharged because of a billing error? What do you do when you have paid to have your car repaired but the problem hasn't been fixed? To solve any of these problems, you need to complain to the right person in the right way.

A large number of consumer complaints are never answered because the consumer doesn't handle the complaint properly. The consumer may fail to explain the problem clearly, give the important facts and figures, or include a return address. Without this information, the person receiving the complaint will not know what action to take. On the other hand, some complaints go unanswered because of the person receiving the complaint. That person may be negligent or unwilling to settle the problem fairly. If and when you need to make a complaint about a product or service, the following tips may help you.

Complain promptly. Don't wait weeks or months to complain if you know you have a problem. Put your problem in writing right away. See 3-2. When mailing a complaint letter, you may want to use registered mail. Then you will have a record of its delivery. A registered letter is hand delivered, and the receiver must sign for it. The sender is then sent a copy of the receipt showing that the letter was received.

CHARLIE
HOUBIGANT

WALGREEN CO.

3-1 Consumers have the right to select the products they want to use. When there are so many brands of products available, making a choice may be difficult.

Be accurate. Direct your complaint to the right person at the right place. Routine problems can usually be handled by salespeople or customer service employees. If an adjustment requires the approval of an authority, the department or store manager is the person to see. For billing errors and other credit problems, contact the credit department.

Complaining to the top management is usually the final step within a company when a problem is not solved at lower levels. However, if a problem is so serious that you feel the top people should be told, contact top management first.

For names and addresses of local businesses and organizations, check your local phone book. To find the names of officers of large business firms, use *Standard and Poor's Register of Corporations.* This book is available in most public libraries.

Be specific and factual. When writing a complaint, clearly identify the product or service that is not satisfactory. Then give a brief description of the problem. Whenever you can, give the date and place of purchase, the product name and model number, and the purchase price.

Be reasonable. When complaining, be calm and realistic. A sarcastic or threatening letter rarely helps your case. You are more likely to get a faster and better response if you state your problem reasonably. Also, empathize with the person who will receive your letter. For example, you might say, "I realize it takes time to correct a computer error, but . . ." Or, "I know it must be difficult to give one-day service on appliances, but . . ."

Suggest a solution. Even a well presented complaint can leave your reader confused unless you indicate what you want done. Do you expect repairs, a replacement, a refund, or an apology? You may not always get what you want, but you should suggest some type of action.

Be businesslike. Any transaction you have with a business should be put in writing. Keep a record of phone conversations and personal inquiries related to complaints. Write down when you called, who talked with you, and what was promised. Keep all your important papers and records together. Sometimes you may need to furnish papers or documents related to the situation, such as sales slips, bills, receipts, and previous correspondence. If you do, send copies of these papers. Do not send the originals. Keep the originals in your files in case you need to refer to them again.

Be persistent. Most problems can be solved with one letter directed to the right person. However, if you don't get the desired results, write a second, or even a third letter.

When you send the second complaint letter, enclose a copy of the first letter. This time, indicate a date by which you expect some action. If a third letter is necessary, include copies of the previous letters. Also include the name of outside parties whom you intend to contact if the matter is not settled by a certain date.

If your complaints do not produce satisfactory results, contact an outside party for help.

THE CONTENT OF A COMPLAINT LETTER

- Date.
- Your name, address, and phone number.
- Name, title, department, organization, and address of the person to whom you are writing.
- Subject of complaint—the product name and model number or the type of service provided.
- Purchase information—the date and place the product was purchased or the service was provided, and the price that was paid. Other relevant information may include your account number and the salesperson's name or number. If you enclose a copy of a sales slip, bill, or receipt, be sure to mention it in the letter.
- Reason for the complaint—defective product, no product delivery, billing error, failure to honor the warranty, the conduct of personnel, etc.
- Expected results—refund, repair, replacement, adjustment, correction, reimbursement for expenses, compensation for inconvenience, change of policy, or an apology.

3-2 In a complaint letter, include all of the important facts.

There are a number of organizations that you can call for help. Better Business Bureaus, consumer groups, and action lines of local newspapers and TV stations are examples. They can put pressure on uncooperative businesses. They can also recommend solutions for problems. Although these organizations have no authority to enforce their recommendations, they do have influence. Most businesses do not want to have a bad reputation with well-known consumer groups.

To deal with dishonest businesses, you can contact a regulatory agency. Examples include the Federal Trade Commission, the Food and Drug Administration, local health boards, housing authorities, and the state attorney general's office. These agencies do have the authority to take action against offenders.

If your problem cannot be solved with complaint letters or help from organizations and agencies, you can file a lawsuit and go to court. Use this method only when the problem is serious and all other alternatives have been tried.

THE INFORMED CONSUMER

Wouldn't it be nice if you could learn one set of facts that would make you an informed consumer forever? But the information you need to know as a consumer is made up of facts and figures that constantly change. Products, services, laws, and economic conditions change a great deal from year to year. It is to your advantage to stay up-to-date with these changes.

To be an informed consumer, you need to know what resources are available to you. Chart 3-3 lists some of the consumer resources available in most communities. People, places, and organizations can all provide

COMMUNITY RESOURCES

PEOPLE	PLACES	ORGANIZATIONS
Bankers	Banks	Bankers Association
Business People	Brokerage Houses	Bar Association
Car Dealers	Broadcasting Stations	Better Business Bureau
Credit Managers	Catalog Sales Offices	Chamber of Commerce
Customer Service Managers	Colleges and Universities	Community Action Groups
Department Store Buyers	Consumer Service or Education Departments of Companies	Consumer Organizations
Department Store Managers	Court Houses	Extension Service
Financial Advisors	Credit Departments	Food and Drug Administration
Government Officials and Representatives	Department Stores	Housing Bureau
Insurance Agents	Government Offices	Internal Revenue Service
Lawyers	Insurance Companies	Legal Aid Society
Newspaper Writers and Columnists	Libraries	Medical Associations
Real Estate Brokers	Loan Companies	Social Security Administration
Stock Brokers	Main Offices of Major Corporations	State Departments of Education
Teachers	Model Homes or Apartments	Urban League
Other Consumers	Newspaper Offices	
	Small Claims Court	

SEARS, ROEBUCK & CO.

3-3 Knowing and using the resources available in your community will help you make intelligent consumer decisions.

valuable consumer information. From these resources, you can build a foundation of knowledge to help you make wise economic decisions.

A valuable resource that is sometimes overlooked is the newspaper. Almost every daily and weekly newspaper offers articles and advertisements related to consumer issues. Chart 3-4 lists the types of consumer information you can find in newspapers.

After identifying sources of consumer information, you may want to begin a consumer information file. This kind of file allows you to have the latest consumer information at your fingertips. You can then use this information to make intelligent decisions.

Consumer information is available in such large quantities that you couldn't possibly file all the information you could gather. For that, you would need an entire library! Instead, you will need to evaluate articles and booklets to see if they are worth keeping. When evaluating materials, keep the following guidelines in mind.

Use a reliable and informed source for the type of information being researched. A reliable source on one subject may not be the best source for facts on other topics. For

DISSECTING A NEWSPAPER

SECTION	INFORMATION RELATED TO CONSUMER EDUCATION
FINANCIAL NEWS	Stock market reports, government regulations affecting business, prices, company earning reports, new products and developments, business planning, economic conditions.
NEWS: **Local, National and International**	Events and personalities in the business and government worlds which affect consumers and the economy.
EDITORIALS	Comment on current issues in business, employment, politics, government, the economy, and other items affecting consumers.
FASHION	New trends, pointers on clothing selection, wardrobe planning, tips on sewing and clothing care.
FOOD	Weekly specials in grocery stores, seasonal buys, menu planning, budget meals, shopping guides, recipe ideas.
HOME	Trends and ideas in home furnishings and decorating, pointers on shopping and caring for furniture and home furnishings.
ADVERTISEMENTS	Prices, features, new products, coupons, use and care information on products, special offers, information on company policies which affect consumers.
CLASSSIFIED ADS **Jobs**	Job opportunities, pay schedules, working conditions, training and educational requirements, qualifications.
Housing	Homes and apartments for rent or sale in different areas, purchase and rental costs in current markets, availability of different types of housing.
TV & RADIO	Programs related to consumer interests.
CARTOONS	Humorous side of various topics related to money management and consumer education.

SEARS, ROEBUCK & CO.

3-4 Newspapers provide the consumer with a wealth of information.

example, a banker may give sound financial advice but know nothing about buying furniture. A medical association can tell you how to find a doctor but not how to buy a car. The Food and Drug Administration can tell you how to read a nutrition label but not how to judge auto repair services.

Determine the purpose of the information. Is it intended to inform? Or is it intended to sell a product, service, or idea? Both news articles and advertisements can offer helpful information, but advertisements may present only positive facts.

Judge the usefulness of the information. Select information that is up-to-date and easy to understand. Read to see if recent developments on the product or subject are discussed.

Once you begin collecting consumer materials, you will need to organize the information for easy use, 3-5. Find a drawer or box large enough to hold all the information. Then sort the information according to subject matter. As you collect new materials, add them into your file. Periodically, review the materials you have filed and discard information that is no longer current or useful to you.

VALUES, GOALS, AND STANDARDS

Some people always seem to know what they want and where they are going. They seem to know what is important and what is not worth serious attention. This sense of direction and purpose is often the one factor that separates the people who get what they want from the people who don't.

How can you develop this sense of direction

Look at the Record
FINGERPRINT TECHNICIANS and IDENTIFICATION BUREAUS
NOW

3-5 When preparing a consumer file, make sure your information is up-to-date and organized for easy use.

FTC

and purpose? You need a clear understanding of your values, goals, and standards.

Values

Values are the principles and beliefs that you consider important. Many people value friendship, good health, education, family life, and a successful career. The values you have influence your decisions and actions. See 3-6.

What do you value? Why do you value these things? Values are things you develop within yourself. However, your family, your friends, your education, and all of your life experiences influence your values. As you meet new people and experience new things, your values may change. Therefore, your values will not always stay constant. As you change, your values will also change, 3-7.

Deciding what is important to you (choosing a value) is fairly easy. Deciding which values are more or less important is not as easy. Whenever you decide that one value is more important than another, you are making a *value judgment*. For instance, you may decide that comfort is more important than appearance and wear your old shoes. You may decide that exercising in the evening is more important than watching television. You may decide that taking a job you really like is more important than taking a job you don't like just because it pays more money.

As you continually make value judgments, you eventually create a *value system*. You can't see this system. You may not even be aware of it, but it exists in your mind. Your value system is a ranking of your values in the order of their importance to you. Your value system guides your behavior. It helps you develop a sense of direction in your life. It simplifies the process of making value judgments and decisions.

How does your value system do all this? Suppose you have made several value judgments placing honesty above wealth or friendship. Then you know that honesty ranks high in your value system. The next time your friends tempt you to shoplift, your decision will be easier. You will be able to rely on your value system. You will know that honesty is very important to you. This knowledge will give you the courage to say no to your friends.

Many value judgments, and some people's value systems, are based on values related to money and wealth. These values have a major influence on people's behavior. The following case studies present three different viewpoints about the value of money. Reading them may help you understand how values affect behavior.

Case Studies

CARLA WANTS MONEY

Carla, a 15-year-old sophomore, is the third of five children in her family. As long as she can remember, the family has been short of money. Carla has food to eat and clothes to wear, but she has never had any of the extras her friends enjoy.

Except for the money she earns babysitting, Carla never has money of her own. Most of her clothes come from her older sister. Her bike once belonged to her older brother. Carla jokes about being "secondhand Rose," but she really doesn't think it is funny.

Carla believes that having money is just about the most important thing in life. She intends to have plenty of it when she grows older. Even now, Carla dates only the boys who have lots of cash to spend. She also tries to be part of the "rich crowd" at school. Although she won't admit it, Carla thinks people who have money are really better than people who don't.

TOM DOES NOT CARE

Tom is a 17-year-old junior. After high school graduation, he expects to attend one of the better universities in the country. His grades are good, and his family has money. Being accepted at the school he wants will be no problem. But Tom hasn't decided which school that will be. In fact, he isn't crazy about going to college at all. Still, he knows it will be easier to go than to fight his family.

MARRIOTT'S GREAT AMERICA

3-6 If you value having fun with your friends, you might enjoy spending a day together at an amusement park.

EVANSTON CHAMBER OF COMMERCE

3-7 As you grow older and assume more responsibility, such as raising a family, your values will probably change.

Since Tom's father is a very successful business executive, his family has had plenty of money. Tom has experienced few wants that money could not satisfy.

Tom's father enjoys making money almost as much as he enjoys spending it. When he asks Tom, "What are you going to do with your life?" he really means, "How are you going to make your fortune?"

Tom has little use for fortunes. He's always had money, but somehow, money isn't enough. Tom believes there are more important things in life, but he doesn't know where to search for them. One thing he does know is that money has never bought him happiness. The family gardener is the happiest man Tom knows, and he doesn't even own a car.

BILL CANNOT DECIDE

Bill is 25 and single. He works in a service station—a job he likes as well as any. He comes from a family that has never had much money, but his home has always been a happy place. Bill's needs and wants are simple. He has never felt any pressure to earn a great income. But that's beginning to change.

Bill met Karen a few months ago. Now, he finds himself in love for the first time. Karen loves Bill too, and they want to get married. When they tell the news to Karen's family, her father begins to ask Bill about his finances and future plans. "What are your job prospects? Are you moving ahead professionally? How much money do you have saved? Where will you and Karen live?" Her father tells Bill that Karen is used to having what she wants. He wonders if Bill's income is adequate for the two of them and for children if they have any. He wonders if Bill is ready for the financial responsibilities of marriage.

These questions trouble Bill because he doesn't know how he feels about money in his own life. And he hasn't given much thought to money in marriage. He loves Karen. She loves him. In his mind, that is enough.

Money has never been important to Bill, but what about Karen? She always wears beautiful clothes. She has her own car, and her family lives in a big house. She claims that money isn't such a big deal, but now Bill wonders. Can she be happy without all those material things? Should he and Karen give the simple life a try? Should he think more seriously about finding a better paying job? Or should he just forget Karen and find someone with a background like his own?

Questions to discuss

1. What does Carla seem to value the most? What about Tom? What about Bill?
2. How do you feel about Carla's view of money? Tom's view? Bill's view?
3. How does Carla's value of money influence her behavior? How does Tom's value of money influence his behavior? How does Bill's value of money influence his behavior?
4. Do you think Carla's view of money will change as she grows older? Do you think Tom's view of money will change as he grows older? Do you think Bill's view of money will change if he marries Karen?

Goals

Goals are the things you want to attain. Goals and values are usually related. While values express your thoughts and feelings, goals put values into action. For example, if you value education, you might set a goal of earning a college degree. Saying you value education is a general statement. Saying you want to earn a degree is a specific statement that implies action. As this example shows, a goal directs your action toward something you value. In this way, your goals help you develop a sense of direction and purpose in life.

You can set goals for every aspect of life. Sometimes goals are classified as "to be" goals, "to do" goals, and "to have" goals. You might want "to be" knowledgeable, independent, or popular. You might want to be single, married, or a parent. This group of goals also includes career choices. You may want to be a teacher, a doctor, and electrician, a salesperson, or a musician, 3-8.

Your "to do" goals help determine how you live your life. You may decide to join a club, try out for the school play, or learn to play the trumpet. You may decide to go to college, travel around the country, or get a job as soon as possible. Your "to do" goals, like your other goals, are influenced by your values.

Your "to have" goals are often the easiest goals to identify. You may want a new watch, a new sweater, a big savings account, or your own car.

Before you set a goal for yourself, be sure it is realistic. Do you really want to reach that goal? Is it possible for you to reach? Is it practical? What will it cost in terms of time, energy, money, and other resources? Is the goal in line with your values? A great sense of satisfaction comes from attaining a worthwhile, realistic goal. On the other hand, an unrealistic goal can cause frustration, as Ann's story illustrates.

Case Study

THE IMPOSSIBLE DREAM

Ann is a high school senior. She is in love with Robert who is also a senior. Ann dreams of marrying Robert. All she thinks about is Robert, their wedding, and their life together. What she really wants more than anything is to marry him right after graduation.

Robert has other ideas. Although he likes Ann, he plans to go to college and then to medical school. He also wants to travel and see more of the world before getting married. In fact, Robert is not sure he will ever marry. Certainly, he isn't considering marriage for several more years.

As graduation draws closer, Robert talks about his plans for the future. Ann begins to realize that marrying Robert is out of the question, at least for the immediate future. Now, she must start thinking of her own future, without Robert at the top of her list.

MUSIC CENTER OF THE NORTH SHORE

3-8 Wanting to become a musician is a "to be" goal.

This is an unhappy time for Ann. Getting over her disappointment is painful. Eventually, Ann enrolls in a nearby community college. She decides to take general education courses until she can set career and life goals for herself.

Questions to discuss

1. How would you handle a situation similar to Ann's?
2. What specific steps would you take to replace impossible goals with realistic goals?
3. How would you determine whether or not a goal is realistic?
4. Why are unrealistic goals unproductive?

Immediate, short-range, and long-range goals

Goals have different time schedules. Some goals are *immediate.* These are goals that you can achieve today or tomorrow. An example is finishing your homework before your favorite TV show tonight.

Short-range goals are those that you want to reach next week, within the next few months, or in the near future. For instance, saving enough money to buy a stereo may take several months, 3-9. *Long-range goals,* such as completing school, starting a career, getting married, and buying a house, may take years to achieve, 3-10.

Many goals are interdependent. You need to achieve one goal in order to reach another. For instance, you need to finish school before you start a career.

In other cases, goals conflict with each other. For example, Jimmy has $800. He wants to buy a used car, take a vacation, and go to summer school (at a cost of $500). He doesn't have enough money for all three of his goals. To make his decision, Jimmy must decide what he values most—a car, a vacation, or summer school.

Judy also has conflicting goals. She wants to be on the girl's basketball team which practices each day after school. At the same time, she wants to keep her part-time job after school. Judy can't reach both her goals. She must decide which is more important to her.

When goals create conflict, you have to make value judgments. You then can set goals that will direct you toward whatever is most important to you. In the following case study, Roger learns that he must reexamine his values and set appropriate goals.

Case Study

A MATTER OF PRIORITIES

Roger wants the male lead in the school play. He has been in school productions before and shows real talent on the stage. Thus, getting the lead is a very possible goal for Roger.

The problem is that play practice is held for two hours every weekday afternoon for three months before the play. If Roger gets the lead, he would have to quit his job after

U—HAUL

3-9 Saving enough money to buy a stereo in six months is a short-range goal.

school. Even though he is not crazy about his job at a service station, the pay is good and after-school jobs are hard to find. If Roger quits now, the station manager would have to hire a replacement. The manager would probably not hire Roger back for full-time summer work which he really needs.

Roger's sister has just had major surgery. Thus, the family needs every penny it can earn to pay the medical bills. Roger doesn't see how he can quit his job because he wants to help his family.

On the other hand, he really wants to be in the play. Since he is a senior, this is his last chance to be in a high school production. Roger also knows that the best actors in the spring play are sometimes chosen for summer theater. Summer theater often leads to a career in drama which Roger has always wanted.

Roger takes a hard look at his situation. He tries to establish his priorities and determine what decision he should make.

Questions to discuss

1. What will Roger lose if he keeps his job?
2. What will he sacrifice if he decides in favor of the play?
3. What other alternatives might Roger have?
4. How would you resolve Roger's goal conflict if this were your decision?
5. What goal conflicts have you experienced? How did you resolve them? What did you consider in determining your priorities?
6. When goal conflicts involve other people, how might priorities be affected?

Standards

A *standard* is an established measure of quality or excellence. You have probably heard the word standard used in many different ways. Electrical products must meet certain safety standards before they are given a seal of approval. People in professions like law and medicine must meet certain standards

3-10 Going to medical school to become a doctor is a long-range goal.

DEPT. OF LABOR

before they can practice their professions. To earn good grades, students must meet the standards set by teachers.

A nation's standard of living refers to the goods and services the majority of citizens consider essential for living. Individuals develop their own personal standards of living. For some, fur coats, Broadway plays, and dinners at fancy restaurants are essential. Other people's standard of living may be based on blue jeans, TV shows, and home-cooked meals.

Your standards are closely related to your values and goals. The things you value and set goals to achieve are the things for which you will have high standards. Therefore, your standards will vary from situation to situation. If you value clear sound reproduction and have a goal of buying a stereo, you may settle only for the best on the market. Your standards for a stereo system would be high. But when it comes to buying a car, you may settle for anything that runs well enough to get you from here to there. You may place little value on the car's appearance or special features. Thus, your standards for cars would not be high.

What degree of quality do you seek as you work toward your goals? Do you strive for A's and B's in school, or are you satisfied with C's? Do you practice a piece of music until you can play it without a single mistake, or are you satisfied with being able to play it reasonably well? Do you have high standards for your personal appearance? What are your standards for the appearance of your room at home? As you answer these questions, you will become aware of some of your standards. A clear understanding of your standards, values, and goals will help you make good decisions about consumer issues and all other aspects of your life, 3-11.

SEARS, ROEBUCK & CO.

3-11 These young men place a high standard on clothing. They are checking the quality of fabric and construction to see if this coat meets their standards.

to Know

Better Business Bureau
Consumer Product Safety Commission (CPSC)
Food and Drug Administration (FDA)
goal
immediate goal
long-range goal
short-range goal
standard
value
value judgment
value system

to Review

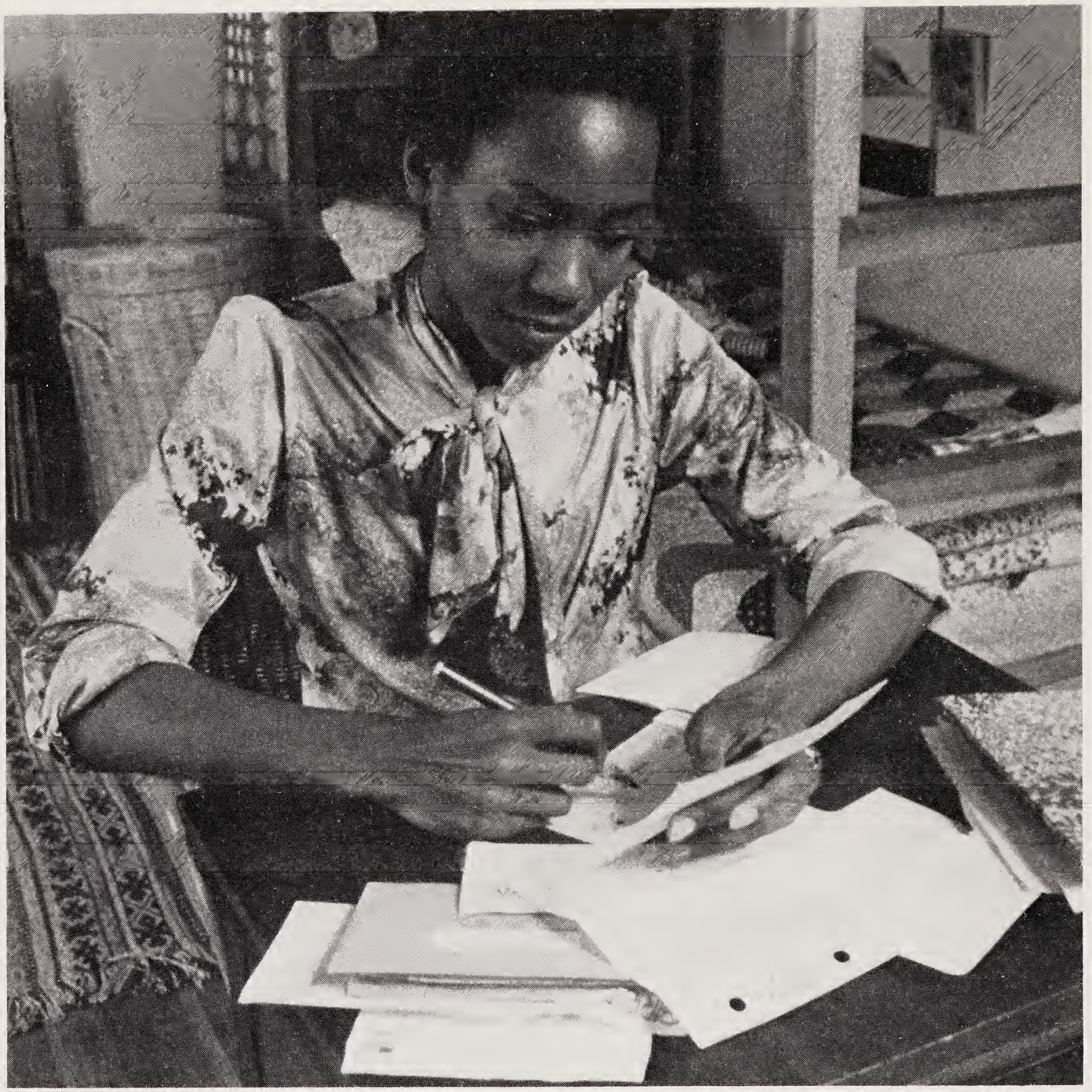
1. Name the four rights of the consumer as defined by President John F. Kennedy.
2. What four consumer responsibilities accompany these consumer rights?
3. Name two government agencies that set and enforce safety standards for products and services.
4. Name three reasons why a consumer complaint may go unanswered.
5. Name seven guidelines to follow when making a complaint.
6. If you experience a serious consumer problem, you may need to make your complaint known to the top management of a company. What resource can you use to obtain the names of officers of large business firms?
7. List at least four types of consumer information you can find in newspapers, and name the section of the paper where each type of information can be found.
8. True or false. Goals are the principles and beliefs that you consider important.
9. Ranking values in order of their importance creates a ________ ____________.
10. Name and describe the three types of goals that differ by the amount of time it takes to reach them. Give an example of each.
11. How are standards related to values and goals?

to Discuss

1. How do laws that prohibit monopolies help assure consumers the right to choose?
2. Have you or your family ever had to complain about a product or service? What was the problem? How was it resolved?
3. What course of action would you take if you could not get a consumer problem solved by the seller or manufacturer?
4. How many of the consumer resources listed in 3-3 are available in your community or county?
5. What points should you consider when evaluating consumer information?
6. What are some of the advantages of having a consumer information file?
7. Why are values and goals different for different people?
8. Why do people's values and goals usually change as they grow older?
9. List several goals. In a class discussion, identify each as a "to be," "to do," or "to have" goal.
10. Why do a person's standards vary from situation to situation?

to Do

1. Prepare a colorful bulletin board showing many different sources of consumer information. Use real examples of as many different sources as possible.
2. Start collecting information to organize your own consumer file. Concentrate on collecting information that applies directly to you as a consumer.
3. Imagine you are having a problem with a new product you recently bought. Write a complaint letter to the product manufacturer.
4. List several goals you might want to achieve over the next five years. Identify each goal as immediate, short-range, and long-range.



TUPPERWARE® HOME PARTIES

4

You, the manager

After studying this chapter, you will be able to:

- ☐ Identify and plan the use of resources that are available to you.
- ☐ Describe the process of making rational decisions.
- ☐ Explain how the principles of management can be used to achieve important goals.
- ☐ Prepare a personal money management plan.

Management is the art of using what you have to get what you want. It is the skill that puts all of your resources to work for you. When you manage your resources, you control your life.

Management involves identifying and using resources, making decisions, and solving problems. By planning the use of your money, you can control the many dollars that pass through your hands every year. Developing good management skills and a simple money management plan can help you in every aspect of your life. Good management puts you in the driver's seat.

IDENTIFYING AND USING RESOURCES

Basically, *resources* are any and all of the things you can use to reach your goals. *Human resources,* the resources you have within yourself, include energy, knowledge, experience, skills, talents, and time. Motivation, imagination, and determination are also valuable human resources. See 4-1 and 4-2.

All other resources are called *nonhuman resources.* Chart 4-3 lists a number of nonhuman resources that many people own or can use to achieve goals.

People have different amounts and types of resources. To be an effective manager, you need to identify your resources. A good way to do this is to make a list of your human and nonhuman resources. Then analyze your list. Which resources are in short supply? Which are plentiful?

Once you have identified your resources, you need to start thinking about how you can use them. Keep these tips in mind:

Resources are limited. There are limits to available time, energy, money, land, and other resources.

Resources are manageable. Resources can be managed to meet specific goals.

Resources are related to each other. Several resources can be combined to reach a specific goal. One resource may be needed to produce or make use of another resource. One resource can make up for the lack of another resource.

As you manage your resources, you will have to answer many questions. What are your strengths and weaknesses in terms of resources? Can you combine several resources for more effective use of each? How can you use what you have to make up for what you are missing? By managing your resources effectively you will be able to reach your goals.

MAKING DECISIONS AND SOLVING PROBLEMS

Every day you make decisions—big, small, important, unimportant, careful, and thoughtless decisions. Some decisions are so routine you hardly know you are making them. Think back on today. Before you left home, you decided what time to get up, what to wear, what to eat, what time to leave home, and how to get to school.

SEARS, ROEBUCK & CO.

4-1 Having the skills to make your own clothing repairs and alterations is a human resource that can save you money.

CREATIVITY
THE HUMAN RESOURCE
A CELEBRATION OF CREATIVITY IN AMERICA AND IN YOU
CHEVRON

4-2 One of the most valuable human resources is your ability to be creative.

Every day you face big and little problems. You make a promise and can't keep it. You are supposed to be in two places at the same time. You run out of money before payday. You want to go to college but don't know which college to choose. All these situations require decision-making, 4-4.

Dealing effectively with the problems and decisions in your life is an essential part of management. People arrive at decisions in different ways. Sometimes decisions are made by accident or circumstance rather than by choice. Have you ever made a decision:

- Just to please someone else? Would you go to a movie you've seen because your friend wants to see it? Would you take piano lessons to please a parent? Would you buy a certain brand of jeans because everyone else wears them?
- Out of habit? Do you automatically have cereal and orange juice for breakfast every day? Do you sit with the same group for lunch every noon? Do you shop in the same store all the time?
- On the spur-of-the-moment? Have you forgotten your diet and ordered a double banana split? Have you bought a pet because it was cute, even though you had no room to keep it? Have you bought a pair of shoes on sale, only to find that they didn't really fit?
- By failing to act? Have you settled for unemployment by not applying for a summer job until they were all taken? Have you earned a poor grade by not studying for an exam? Have you been broke when you needed money most because you had failed to save?

You have probably made decisions in all of these ways at one time or another. For some

NONHUMAN RESOURCES

Money—cash, savings, investments . . .
Tools and equipment—carpentry tools, lawn mower, sewing machine, typewriter, range, refrigerator . . .
Property—home, car, clothes, furniture . . .
Nature—air, water, wood, coal, land . . .
Community facilities and services—parks, libraries, schools, hospitals, fire and police protection . . .
National facilities and services—government departments and agencies, highway systems, communication systems . . .
Business and industry—factories, stores, goods and services in the marketplace . . .

4-3 The list of nonhuman resources seems almost endless. What resources are available to you?

RAFFALSON

4-4 Managing your life involves many decisions. After days of apartment hunting, this young woman has just signed a 12-month lease for her first apartment.

choices, these methods work very well. However, there will be other decisions in your life that have lasting benefits or consequences. When making decisions on important matters and big problems, *rational decision-making* can help you choose wisely. Chart 4-5 outlines the five basic steps of rational decision-making. In the following case studies, each person solves his or her problem by using this decision-making process.

Case Studies

JOE NEEDS A JOB

Joe will graduate from high school at the end of the month. He is not a top student and has no desire to spend more time in school. Joe is the oldest of four children. His family cannot afford to support him. Joe needs to find a job.

The problem

Joe's problem is to find the right job. Since he will be working the rest of his life, he doesn't want just any job. His father worked 20 miserable years at a job he didn't like. Joe isn't about to make the same mistake. He wants to find work that will offer satisfaction, good wages, and a chance to learn and grow on the job.

STEPS IN RATIONAL DECISION-MAKING

STEP	KEY WORD	APPROACH
1	Problem	Define the decision to be made or the problem to be solved.
2	Goals	Set specific goals or objectives.
3	Resources	Identify the resources you can use to reach your goals.
4	Alternatives	Determine and analyze the alternatives.
5	Decision	Make a decision and act upon it.

4-5 The five steps to rational decision-making can help you solve problems effectively.

Joe needs a full-time job that does not require more than a high school degree. Since he does not have a car, he wants to work someplace within walking distance of public transportation.

Joe hopes to find a job working with animals. Through the years, he has had a number of pets, including countless dogs, cats, and rabbits. He has also had snakes, turtles, squirrels, a talking crow, sick birds, and a lame raccoon. Once he even nursed a wounded fox back to life.

The goals

A counselor at the school suggested that Joe make a list of the things he wants most in a job. The counselor instructed Joe to arrange the items on his list in the order of their importance. Joe made the following list of job requirements:

Full-time work.
Work with animals.
Job satisfaction.
Good wages and job security.
Opportunity to learn on the job.
Possibility of getting to and from work without driving.
Agreeable co-workers and superiors.

The resources

The counselor also suggested that Joe write down the resources he can use to find the job he wants. This is Joe's list:

A high school degree with reasonable grades and a good attendance record.
A reputation for being honest, reliable, and responsible.
Work experience on three part-time jobs during high school.
Experience and competence in handling animals.
Good recommendations from teachers, counselors, and former employers.
Willingness to work long hours, weekends, and evenings.
Willingness to start at the bottom if there is an opportunity for job advancement.

The alternatives

With his goals and resources outlined, Joe begins his search with the telephone book. He turns to the Yellow Pages and looks under "Animals." He finds many listings and referrals under Animal Dealers, Pet Shops, Dog Kennels, Animal Hospitals, Veterinarians, and Animal Shelters. He also looks under "Zoo" where he finds two more employment possibilities. Joe makes a list of the most likely places to find a job. He then tries to learn as much as he can about each possible employer.

Through phone calls and interviews, Joe learns of many job possibilities. He follows through on every job lead and compares each job opening with his list of job goals. Following a number of interviews, Joe is offered four jobs. After weighing the pros and cons of each job, he makes a decision.

The decision

Joe decides to work as an assistant in a nearby veterinarian's office. He is hired as a full-time permanent employee. Here, Joe will have the opportunity to learn more about animals and their care. He will also be given more responsibility as he learns the office routine.

Questions to discuss

1. How did Joe's list of job goals help him make a final decision?
2. How did Joe's list of resources help him reach his job goals? How would such a list help you sell yourself during a job interview?
3. What might the consequences be if Joe had gone on a random job search rather than following the steps of rational decision-making?
4. What can you learn from Joe's job-searching experience to help you make rational decisions?

PENNY PICKS A COLLEGE

Penny will graduate from high school with honors at the end of the year. She wants to go to college and become an engineer. Penny's father, uncle, and two brothers are all engineers. She wants to carry on the family tradition.

Penny is interested in the development of new energy sources. She plans to specialize in that branch of engineering.

The problem

Selecting the right college is Penny's problem. She has chosen her career. Now she must select the best college for pursuing that career. It is a big decision for her to make.

The goals

Penny begins solving her problem by writing down what type of college she would like to attend. Penny decides she would like to find a college that:

Is accredited (has high standards that qualify graduates for professional practice or admission to other learning institutions).

Has a strong engineering department.

Has equal opportunity for female students.

Is a medium-sized school located in the Midwest.

Is a state school with low tuition or a private school that offers financial aid.

Has campus housing or other decent housing available at low rates.

Penny discusses her goals with her parents and her school guidance counselor. They all approve. Her next step is to decide what resources she can use to get into a school that will meet her needs.

The resources

Penny thinks carefully about what she has that can help her get into a good school. She makes this list of her resources:

An excellent scholastic record.

Well-stated college and career goals.

Participation in extracurricular school activities, including those connected with ecology and environment.

Family background and interest in engineering.

High test scores that show an aptitude for science and math.

Enough money to pay college costs in a state school.

The alternatives

Penny now knows what she wants in a school and what resources will help her get into the school of her choice. She begins her search for colleges by writing to several schools for a list of course offerings and admittance requirements. In a few weeks, Penny receives lots of information from a number of colleges. After reading through many college catalogs, Penny compares the pros and cons of each college.

In the process of matching her goals to possible schools, Penny eliminates several colleges. One college has a poor reputation for placing female graduates in engineering jobs. Another is a private school with high tuition that offers no financial aid. She eliminates a third school because there are no openings for freshmen in the engineering department.

Finally, Penny narrows her choices to three schools which meet her most important goals. She applies to all three. She hopes her good high school record and other resources will help her get at least one letter of acceptance.

The decision

Penny is accepted by two of the three schools. Once again, she compares her list of goals to the characteristics of the two colleges. She chooses the college that meets more of her goals and has fewer drawbacks.

Questions to discuss

1. How did Penny's list of goals help her select the right college for her needs?
2. How did Penny's resources help her?
3. What are the advantages of using rational decision-making to choose a college? What disadvantages might there be in choosing by some other method?
4. How might you use Penny's approach to make a similar decision for yourself?
5. How might Penny's approach and results differ if:
    a. She had not already decided on a particular field of study?
    b. Her scholastic record and test scores had been only average?
    c. She had no fiancial resources to pay for a college education?

DAVID WANTS A CAR

For the past two summers, David has worked with three friends, painting houses. When one friend goes to school and the other two move to another city, David decides to continue the painting business alone. He needs a car to carry all of his supplies and equipment. A car will be David's first major investment in his business. He wants to make the right choice.

The problem

David wants to find a car that will fulfill his business and personal needs. He needs to find a good used car since he can't afford to buy a new one.

The goals

Before shopping, David makes a list of his goals concerning a car. Here is his list:

Used, but in good condition.

Large enough to carry paint, supplies, and equipment.

Useful for personal driving as well as on-the-job driving.

Fuel efficient.

Sold by a reliable dealer or private seller.

Easy to service and maintain.

Equipped with good tires, air conditioning, a radio, and a luggage rack.

The resources

With his list of goals in mind, David considers the resources he has to get the right car. They include:

$1500 cash.

Time to shop.

Knowledge of cars in general and knowledge of his particular car needs.

Flexibility, since David has no brand or model preference in mind.

The alternatives

To begin his car search, David reads the want ads in the local paper. This gives him an idea of what cars are available at what prices. He then makes a few phone calls to ask about some of the ads. He follows through on two ads by going to look at the cars.

Next, David visits several used car dealers to price their cars and to ask about warranties and servicing. In addition to cars, David also looks at vans and small trucks.

After test driving many vehicles, David narrows his choices to three. One is a five-year-old van in good condition but missing some of the features he wants. It would be perfect for his job needs but awkward for personal use.

Another choice is a four-year-old station wagon. It is not in the best condition, but it costs only $1000. This would leave him $500 to make improvements. The wagon is adequate for both job and personal use, and it includes all of the features he wants. However, it is being sold by a private party without a warranty. If the car falls apart the day after the sale, it will be all David's problem.

The third choice is a small wagon, priced at $1400. A reliable dealer is selling the car with a very good used car warranty. The car has the features he wants and gets good gas mileage. The only drawback is its size. It is fine for personal driving but a little small for business. However, David can carry his extension ladder on the car's luggage rack, and he can squeeze everything else inside.

The decision

After much debating, David decides to buy the small wagon. It comes the closest to meeting most of his work and personal transportation needs.

Questions to discuss

1. How do you think rational decision-making helped David make a good choice?
2. How did David's list of goals help him make a decision?
3. What goals would you have if you were in the market for a car?
4. How do you think having a list of goals would help you shop for cars and talk with car dealers?

THE ART OF MANAGEMENT

Management can make the difference between hitting and missing the targets in your life. Whether you run a big corporation, an average household, a ball team, or your own personal affairs, management is the tool that gets things done. It keeps you moving forward toward important goals. Management skills put you in control. You make the decisions. You carry them out. You benefit from the right choices, and, occasionally, suffer from the mistakes.

Management is an ongoing process that is used in countless ways. Decision-making is an important part of management. However, management involves more than making decisions and solving problems. Management is a three part process: planning, doing, and evaluating.

Planning

A job well-planned is a job half done. This familiar saying points out the importance of the planning phase of management. Whether you want to reach a career goal or decide what clothes to wear, some forethought or planning is necessary. Deciding what to wear to school may involve very little conscious planning. Choosing what to wear to a wedding or a job interview may take more detailed planning. Building an appropriate wardrobe for the way you live and the places you go could be a major planning challenge, 4-6.

Management is the art of using what you have to get what you want. Thus, your management plans must be based on your resources (what you have) and your goals (what you want).

When you begin making management plans, try this approach. First decide what you want and set your goals. Then list the obstacles that might prevent you from reaching your goals. Finally, list the resources you can use to overcome the obstacles and reach your goals. Put some thought into your list of resources. To reach your goals, you may need to combine resources or substitute one resource for another.

Here are three management plans. Listed under each goal are the obstacles and resources related to it.

Goal one: Completing an English assignment on time.

Obstacles:

Limited length of time in which to complete the assignment.

Lack of interest in the topic.

Difficulty in getting started.

Available resources:

One hour after school each day until the assignment is finished.

The public library reference room.

Knowledge of the topic and where to go for information.

Instructions from the English teacher.

Writing and typing skills.

The family typewriter.

Determination to finish on time.

Goal two: Building a spectacular wardrobe with a limited budget.

Obstacles:

Small amount of money to spend for clothing.

Frequent changes in fashion trends.

Strong desire to be a trend setter and wear the latest fashions.

Available resources:

$15 weekly from part-time job.

Four hours weekly to sew.

Excellent fashion sense and good taste in clothes.

Knowledge of figure types, fabrics, fashions, and wardrobe planning.

Sewing machine and tools.

Sewing skills.

Time and energy necessary to plan and shop for clothes and fabrics.

Conveniently located fabric shop.

Fashion magazines and books from the library.

Goal three: Becoming president of the student body.

Obstacles:

The popularity of the two other candidates.

Difficulty in contacting all the voters in a large student body.

Limited time before the election.

Lack of organization among supporters.

Available resources:

Knowledge of the job and its demands.

Experience in student government.

Organizational skills.

Talent for public speaking.

Reputation for leadership.

Energy and enthusiasm for planning and running the campaign.

Knowledge of what the voters want and how to get their votes.

Broad support from both student body and faculty.

Friends who are willing to work for votes and help run the campaign.

Use of school art department and duplicating equipment which is available to each candidate.

The desire to win.

4-6 Having a coordinated, functional wardrobe requires thoughtful planning.

PETER B. MEAD

Doing

Planning is of little value without action. The "doing" phase of management involves carrying out plans to reach goals. Success in this phase depends on two key characteristics—determination and flexibility.

Determination is needed to carry out plans. Determination helps you get off to a good start, keep an eye on the final goal, and stick with a project to the finish.

When putting plans into action, it is important to check your progress as you go along. Check to see if you are still moving toward your goal. You may find that your plans aren't working or that something unexpected has happened and made your plans ineffective. For instance, you plan to finish a term paper at home, but find too many distractions. You decide to go to the library instead. You plan to save $10, but your bicycle breaks down. You have to spend the $10 for repairs. Flexibility to adjust to new situations is a characteristic of a good manager.

Flexibilty can be helpful even when your plans *are* working. Once you are headed toward your goal, you may find a way to revise and improve your plan. A good manager takes advantage of opportunities when they arise. For instance, you have two goals for the weekend. One is to earn spending money for next weekend's band trip. The other is to write a book report that is due Monday morning. You estimate that you need five hours Saturday to earn money baby-sitting and three hours Sunday to write the book report. When you are called to baby-sit from seven to midnight Saturday, you revise your plans. You decide to write the report during the last three hours of baby-sitting when the children are asleep. This gives you time to do something else on Sunday.

Evaluating

The primary purpose of evaluation in management is to improve future planning and become a better manager. Evaluation is a continuous function throughout the management process. You evaluate plans, actions, and results. In doing so, you constantly develop better ways of using resources to reach goals. The questions in 4-7 can help you learn the process of objective evaluation.

THE PROCESS OF EVALUATION

EVALUATING PLANS	EVALUATING ACTIONS	EVALUATING RESULTS
What are the goals? What obstacles stand in the way? What resources are needed? Are the needed resources available? Are the goals realistic, given the obstacles and resources? Are the goals worth the effort and resources required to attain them?	Is the plan working? Is there steady progress toward the goals? Are resources being used to their best advantage? Are top priority goals getting top priority attention? Is there room for improvement in the original plans? What adjustments can be made? Have new or unexpected developments created the need to change the original plans? What changes are needed?	Were the goals achieved? Was the achievement of the goals worth the effort and resources used? Are you satisfied with the results? What key factors contributed to reaching or failing to reach the goals? What were the weaknesses in the plans and actions? What were the strengths? How can future plans and actions be improved?

4-7 Evaluation is an important part of effective management.

A MONEY MANAGEMENT PLAN

Over a lifetime, a person can expect to earn a little over one-third of a million dollars with an eighth grade education. About one-half million can be earned with a high school degree and three-fourths million with a college education. With or without a formal education, thousands of dollars will pass through your hands over the years. To make the most of your dollars, you need to know how to manage your money.

Being aware of key economic concepts can help you manage your money wisely. Certain economic principles influence your personal money management plans just as they govern the operation of our economy.

One important concept is the *law of scarcity*. This means that your unlimited wants all fight for a piece of your limited resources. To satisfy your most important wants with the money you have to spend, you must make careful choices.

The need to make choices involves another important economic concept—*opportunity costs*. The resource you use to satisfy one goal cannot be used for another. Therefore, the price of meeting one goal is the inability to meet another goal.

Imagine, for example, that you have $5 to spend Friday night. You can buy a hamburger, fries, and cola, or you can go to a movie. If you choose the food, it not only costs $5, it also costs you the opportunity of going to the movie or buying something else with the $5. By considering the money costs and the opportunity costs of your choices, you will know exactly what you are getting for your money.

Inflation is another economic concept that will influence the management of your income. As prices go up, the value of your dollars goes down. If your income does not rise at the same rate prices rise, your buying power will be reduced. You will not be able to buy as much or save as much. Although you cannot stop rising prices, being aware of the effects of inflation can help you plan for the future.

A simple money management plan can help you make the most of your money and avoid financial problems, 4-8. Since money is a resource, the same basic process used to manage resources is used to manage money. Like any management plan, money management involves continuous planning, doing, and evaluating. To create a simple, workable money management plan, follow these steps:

1. Establish your financial goals.
2. Total your income.
3. Estimate your expenses.
4. Analyze your income and expenses.
5. Write the plan.
6. Evaluate the plan.

Establish goals

As with any management plan, setting goals—deciding what you need and want—is the first step. When establishing financial goals, include immediate, short-range, and long-range goals. Then estimate the costs of each goal.

Remember that financial goals change over the years. Your present goals may include money for a college education, a car, a stereo, or a summer vacation. If you go to college, marry, have children, change jobs, or retire, your financial goals will probably change.

Total income

To determine how much money you have to manage, you must total your income. To do this, add up all your sources of income—wages, allowances, gifts, and so on. Your income determines what financial goals you can achieve. As your income changes over the years, so will your goals and your money management plan.

Income can be totaled on a weekly, monthly, or yearly basis. If you receive a steady income and pay monthly bills, you may find it easiest to work with monthly figures. Yearly estimates and records are needed to make long-range plans and to file income taxes.

Estimate expenses

The next step in preparing a money management plan is to estimate your expenses.

List all the expenses you expect to have under three headings: fixed expenses, variable expenses, and occasional expenses.

A *fixed expense* is a set amount of money due on a set date. Rent, tuition, insurance premiums, organization dues, and installment payments are examples of fixed expenses. These expenses tend to increase during the adult years and decrease with retirement. They reduce the amount of money available for use in reaching other goals.

As a rule, fixed expenses must be paid when due. Therefore, they are listed first when estimating expenses for a money management plan.

Variable expenses are those that come up regularly but in varying amounts. Food, clothing, and entertainment are examples of variable expenses. Generally, teenagers spend most of their money for items in this category, such as albums, magazines, snacks, clothes, cosmetics, and dates.

Because variable expenses are flexible, they offer the best opportunities for adjustments in a money plan. These expenses can be reduced in order to save money for other goals.

Occasional expenses come up only now and then. Examples include vacations and gifts for birthdays, graduations, and Christmas. Although these expenses vary in amount, they are usually predictable. It is a good idea to plan ahead for major occasional expenses.

To plan for an occasional expense, estimate how much money you will need and the date you will need it. Suppose you will need $200 for a vacation in five months. Dividing $200 by 5 shows that you will need to save $40 each month to be ready for your vacation. If you find it easier to save by the week, divide $200 by 20 (the number of weeks before your vacation). You will need to save $10 each week.

This same method can be used to plan for

SEARS, ROEBUCK & CO.

4-8 Taking the time to make a money management plan can help you use your financial resources wisely.

any occasional expense as long as you know how much it will cost and when you will need to pay for it. Then you can fit your occasional expenses into your money management plan.

When you first estimate your fixed, variable, and occasional expenses, you may be off target. If so, keep a detailed record of your spending for a few weeks. This will help you see exactly where your money goes. Then you will be able to estimate future expenses more accurately.

Analyze income and expenses

Analyzing your income and expenses is an important step in money management, 4-9. To determine how much money you have available for goals, subtract your expenses from your income. What is the balance? If you are lucky enough to have enough money left over to meet all your financial goals, you may stop here. However, if you are like most people, the balance will not cover all your goals. There may not even be a balance. Income and expenses may come out even. Worse yet, your expenses may be greater than your income, leaving you in the red.

After analyzing your income and expenses, you may be ready to start making some changes. You may want to find ways to increase income, reduce unnecessary spending,

MONEY MANAGEMENT PLAN

Income	**Weekly**	**Monthly**	**Yearly**
Allowance	$	$	$
Jobs			
Gifts			
Other			
Total Income	$	$	$
Expenses			
Fixed	$	$	$
Variable			
Occasional			
Total Expenses	$	$	$
Balance (subtract total expenses from total income.)	$	$	$

4-9 To analyze your money management plan, you need to determine your income, expenses, and remaining balance.

and increase financial resources that can be used to reach goals.

To increase your income, explore these possibilities. Can you arrange an increase in your allowance or in your wages? Can you earn more money by taking on more responsibilities at home or at work? Have you overlooked job opportunities that are available? If you have a job, would changing jobs help you earn more money?

To reduce spending, ask yourself these questions. Is your money buying what is really important to you? Do your expenses reflect your values and goals? Does some of your spending seem wasteful? Can you reduce some expenses? Can you omit some expenses entirely?

Increasing income and reducing spending are both ways of increasing financial resources. Saving is another way to increase resources. With larger sums of money, you can invest in stocks or bonds.

Write the plan

At this point, it is time to bring together your goals, income, and expenses into some form of plan. The purpose of a plan is to direct the use of money toward important goals. A plan reduces the temptation to spend carelessly and then wonder where the money went. The money management tips in 4-10 can help make your plan more workable.

While some people can plan in their heads, success is more certain with a written plan. The plan should include your sources of income, total income, fixed expenses, variable expenses, occasional expenses, and total expenses. The balance, or the amount of money you have left after paying all expenses, is the amount you can budget toward your goals.

Evaluate the plan

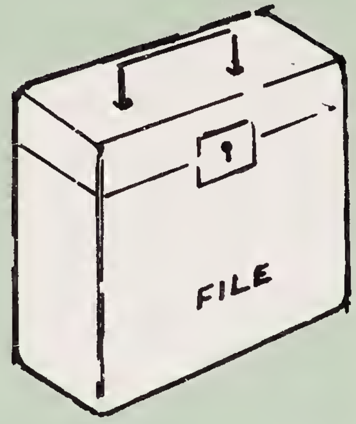
Finances, like everything else, change. From time to time, you will need to review your money management plan and see that it is working for you.

Whenever there are changes in your goals, income, or expenses, check your money plan. You can expect your financial plans to change when you graduate, go to college, start a job, leave home, get married, have children, or change jobs, 4-11.

Consider these questions as you evaluate your money plan. Is your financial program

TIPS TO GOOD MONEY MANAGEMENT

1. Keep the money plan simple.
2. Build in a money reserve for unexpected expenses and emergencies.
3. Put savings out of temptation's way. Use a savings account or special place to keep money you do not plan to spend.
4. Guard against impulse buying. Carry with you only the amount of money you plan to spend.
5. Keep all money management records together in a convenient place. (A desk drawer, a file cabinet, or even a shoe box will do.) Develop a simple system for organizing the records.



4-10 When making a money management plan, keep these tips in mind.

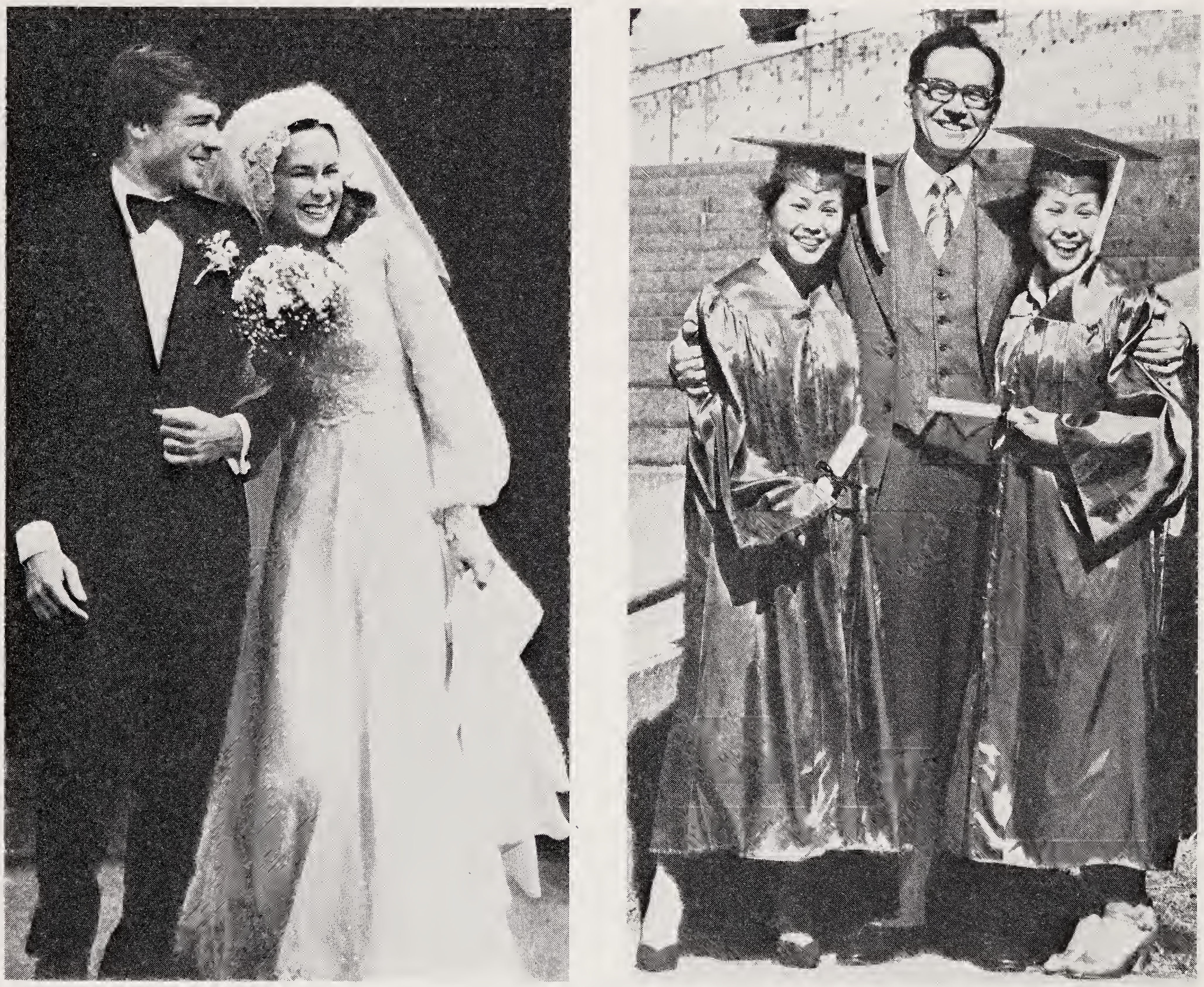
working? Is your money doing what you want it to do? Are you reaching important goals? As you achieve goals, do you set new goals for yourself? Are you controlling spending? Has your income or pattern of spending changed significantly? Have there been changes in your life that call for changes in your financial plans?

When revisions are needed, make the necessary changes and write up a new plan. Recheck the plan in a week or two to see if the changes are an improvement. If you keep a handle on your finances in this way, your income will work well for you over the years.

Money management in your future

As you earn more income and assume more expenses, your money management plan will become more detailed. In addition to preparing a money management plan and keeping records, you will want to evaluate your total financial situation. Preparing a *financial statement* will help you do this accurately. A financial statement lets you see what you are worth at a given time. It also helps you see the progress you are making toward your goals.

On a financial statement, you list your assets and liabilities to determine your net worth. See 4-12. *Assets* are anything of value



HEALTH INSURANCE ASSN. OF AMERICA

4-11 You will need to evaluate your money management plan whenever you make important changes in your life.

FINANCIAL STATEMENT

Assets

Cash on hand $ ____________

Cash in checking account(s) ____________

Cash in savings account(s) ____________

Cash value of savings bonds ____________

Cash value of insurance policies ____________

Market value of

Stocks ____________

Bonds ____________

Certificates of deposit ____________

Current value of durable assets (home, car, furnishings, and equipment) ____________

Value of real estate ____________

Other assets and valuables ____________

Total Assets $ ____________

Liabilities

Outstanding bills $ ____________

Amount owed on installment purchases (credit cards, charge accounts) ____________

Amount owed on personal loans ____________

Amount due on real estate mortgage ____________

Amount due on taxes ____________

Other liabilities ____________

Total liabilities $ ____________

Net Worth (subtract total liabilities from total assets) $ ____________

4-12 A financial statement helps you determine your net worth at a given time.

that you own, such as cash, stocks, bonds, real estate, and investments. *Liabilities* are any debts you owe, such as unpaid bills, credit card charges, personal loans, and taxes. Your *net worth* is the difference between your assets and liabilities.

Avoiding financial problems is usually much easier than solving them. The warning signals in 4-13 can help you see trouble coming before it arrives. As you read the questions, let each "yes" answer serve as a note of caution. If you answer "yes" to several questions, you will need to make some serious changes in your financial planning.

WARNING SIGNALS

1. Do you often wonder where your money goes?
2. Do you fail to set aside cash for emergencies?
3. Do you dip into your reserve fund for non-emergencies?
4. Do you fail to set aside money for important goals?
5. Do you use credit more and more as a substitute for cash?
6. Do you feel that you are financially standing still or falling behind rather than getting closer to goals?
7. Do you often ''rob Peter to pay Paul''? That is, do you use money set aside for one thing to pay for another?
8. Do you ever get overdue notices on bills?
9. Do you ever overdraw your checking account?
10. Do you tend to overestimate income and underestimate expenses?
11. Do you tend to let tomorrow take care of itself rather than plan your financial future?
12. Do you find it hard to pay expenses and still have a little money left over at the end of each month?

4-13 Check these warning signals from time to time to avoid slipping into financial trouble.

to Know

assets
financial statement
fixed expenses
human resources
inflation
law of scarcity
liabilities
management
net worth
nonhuman resources
occasional expenses
opportunity costs
rational decision-making
resources
variable expenses

to Review

1. List five examples of human resources and five examples of nonhuman resources.
2. What are the five steps in rational decision-making?
3. Management is a three part process: planning, doing, and __________.
4. Name the three steps in the planning phase of management.
5. Success in the doing phase of management depends on what two key characteristics?
6. What three key economic concepts influence personal money management?
7. Give three examples of each kind of expense: fixed, variable, and occasional.
8. When during your life can you expect your financial plans to change?
9. True or false. To determine your net worth on a financial statement, you subtract your assets from your liabilities.
10. Name eight warning signals that can alert you to financial problems.

to Discuss

1. What are your most important and valuable human and nonhuman resources?
2. Give examples of decisions people make:
   a. Just to please someone else.
   b. Out of habit.
   c. On the spur-of-the moment.
   d. By failing to act.
3. What are the advantages of using the rational decision-making process to solve a problem or make a decision?
4. How might rational decision-making work for:
   a. Making family or group decisions?
   b. Establishing government policies?
   c. Solving business problems?
5. How can good management help you achieve specific goals?
6. What are some steps you and others could take to:
   a. Increase income?
   b. Reduce unnecessary spending?
   c. Increase resources for goals?

to Do

1. Apply the rational decision-making process to an important decision you might face within a year or two. Write down the problem, your goals, your resources for reaching the goals, your alternatives, and the decision you would make. What are the pros and cons of rational decision-making? Discuss your opinions with the class.
2. Where does your money go? Can you account for the money you have spent over the past few weeks? In a small notebook, keep a record of all the money you earn and spend over the next two weeks. Account for every penny! Are you satisfied with the way you control your money? How could you better manage your money in the future?
3. Set up a money management plan based on your financial goals, income, and expenses. After following the plan for a month, evaluate the plan. What are its strengths and weaknesses? How can you improve the plan?

epoke
fiberglass
epoke
waxless
torsion box
torsion box made in norway
BONNA
2000-PC
TOURING
GLIDER

5

You, the shopper

After studying this chapter, you will be able to:

- ☐ Describe the basis of the buyer-seller exchange in our market economy.
- ☐ Explain how smart shoppers can take advantage of various selling methods.
- ☐ Identify and use sources of shopping information.
- ☐ Make rational decisions when shopping for goods and services.

With good shopping skills, you can make $50 seem more like $150. You can buy two or three times as much merchandise as an unskilled buyer who spends the same amount of money. As a smart shopper, you can buy more of what you want and get more satisfaction from what you buy. Your shopping experiences can be rewarding rather than frustrating.

Shopping wisely is largely a matter of understanding the marketplace, using information that is available, and making good decisions. In our economic system, there are many places to shop and many selling methods to tempt you to buy. Learning all you can from the many sources of shopping information can help you make the right buying decisions.

UNDERSTANDING THE MARKETPLACE

The marketplace is an arena where buyers and sellers meet to exhange goods, services, and money. In our free enterprise economy, the marketplace has certain characteristics that set it apart from markets in other economies. Our marketplace is characterized by free economic choice, the profit motive, and competition. These characteristics are the keys that make our economy work. To keep our economy working, these key characteristics are guided by both written and unwritten rules. Understanding the rules of the game can help you be successful in the buyer-seller exchange.

Our market economy

Diagram 5-1 illustrates our market economy in action.

Both consumers and businesses exercise free choice in the marketplace. Consumers choose which goods and services to buy. Businesses choose which productive resources to use.

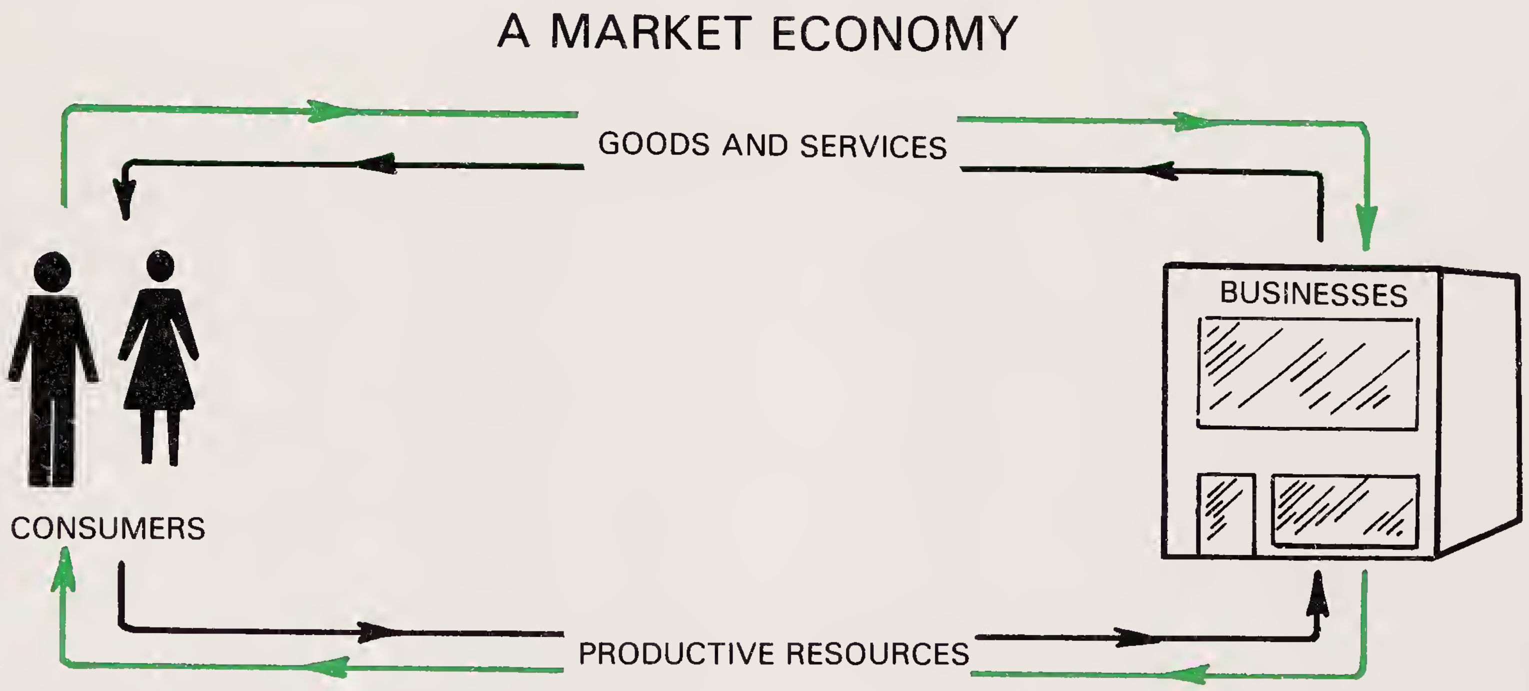
The profit motive is a major influence on what takes place in the marketplace. Consumers try to make a profit by supplying the labor, land, capital, and other productive resources that businesses demand. Consumers work where they can earn the highest wages. They lease land to those who will pay the highest rent. They invest capital where they can earn the best dividends and interest.

At the same time, businesses try to make a profit by supplying the goods and services that consumers demand. As the demand for a product grows, more businesses try to produce larger quantities of the product. Computers are a good example, 5-2. The same supply and demand theory applies to services. For instance, as more people began to travel, more travel service businesses opened with the desire to make a profit.

Competition is another key characteristic of our market economy. Competition keeps businesses efficient in meeting consumer demands for goods and services. The businesses that meet consumer demands with the best quality goods and services at the most reasonable prices make the highest profits. To do that, businesses must be efficient.

Competition keeps consumers efficient in meeting business demands for productive resources. Those persons with the job skills that meet business demands get the best jobs. Those who work most efficiently advance and earn the highest wages. Those who have land, capital, and other productive resources compete to get the most money from businesses that use the resources.

Competition is linked closely with profits.



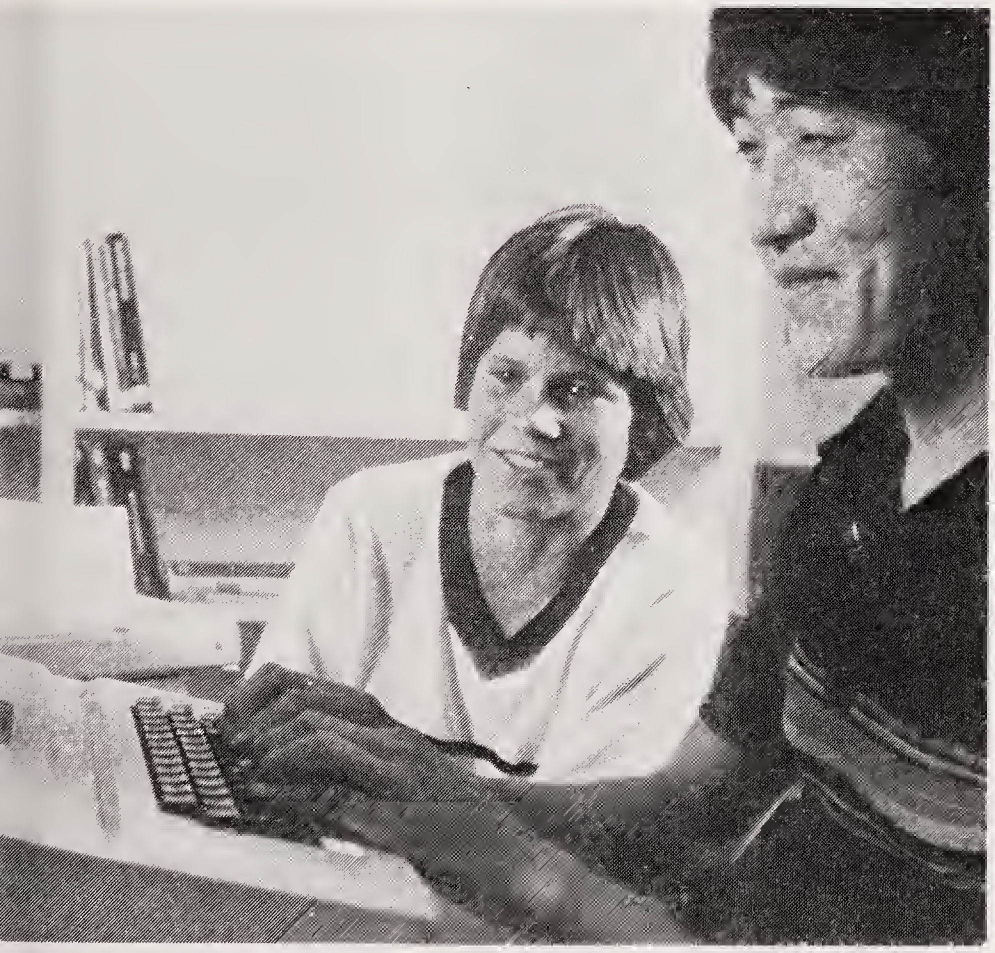
Flow of goods, services, and productive resources:
Consumers supply productive resources to meet the demand created by businesses. Businesses use the productive resources to produce the goods and services demanded by consumers.

Flow of money:
Consumers pay for goods and services. The money goes to businesses. Businesses use the money to pay for productive resources. One important productive resource is labor. The money businesses spend for labor goes to consumers in the form of wages.

5-1 The interaction of consumers and businesses in a market economy creates a circular flow of goods, services, resources, and money.

Businesses that meet consumer demands for goods and services most successfully make the best profits. Consumers that meet business demands for productive resources most successfully make the best profits. In other words, those who are most successful in meeting demands within the economic system earn the highest rewards of the system. Ideally, a person's share of economic rewards is tied to that person's contribution to the economic system.

Of course, no economic system works perfectly, including our market economy. There are some situations in which there is no competition to encourage efficiency. There are cases in which free choice is limited by a lack of knowledge or by controlled markets. There are times when profits go unfairly to people who do not contribute to productivity or to people who cheat. At times, people who make important contributions to the economy fail to receive the rewards they deserve. Although the perfect market economy does not exist, it is the goal both consumers and businesses strive to achieve.



APPLE COMPUTER INC.

5-2 As the demand for computers increases, businesses will produce more of them.

Places to shop

The marketplace is made up of many different places to shop and many different types of sellers. Places to shop include neighborhood shops, shopping centers, and downtown stores. Store location and product selection, quality, and price all influence where consumers choose to shop.

Good selection and competitive pricing are most often found in downtown city stores or in large shopping centers where many stores compete for customers, 5-3. Prices in neighborhood stores may be higher because

CHAS A STEVENS
NDS

WATER TOWER PLACE

5-3 Large shopping malls usually offer a large selection of goods and services at competitive prices.

they have less competition and a lower volume of sales, 5-4. However, neighborhood stores may offer more personal attention and better service because the owners usually know their customers.

Types of sellers include retail stores, door-to-door salespersons, mail-order retailers, and consumer cooperatives.

Retail stores sell goods or services directly to consumers. Department stores, discount stores, and specialty shops are all retail stores. They may be independently owned stores such as Martin's Furniture Store or Gilda's Gift Shop. Or they may be chain stores like J.C. Penney Co. or Sears, Roebuck and Co.

Department stores are retail stores that offer a wide variety of goods and services in a single store. Discount stores sell certain lines of merchandise at lower prices than other stores. They can afford to do this because they limit customer services and other extras such as exchanges and returns. This cuts operating costs and makes it possible to sell goods at lower prices than other retailers. Specialty shops include all stores that sell a specific type of merchandise or service. Shoe stores, health food stores, book stores, gift shops, and hair salons are examples.

Door-to-door salespersons can offer advantages to consumers who take the time to check out their reliability. Many door-to-door sellers represent reputable companies with good products. However, it is up to the consumer to check out any seller who rings the door bell. The seller should be willing to show identification, a selling permit or license, and a company connection. If the consumer still has doubts, it would be smart to call the Better Business Bureau or the local Chamber of Commerce. A disreputable salesperson may be impossible to locate if the merchandise is not delivered or if it is unsatisfactory.

Ordering from a catalog or magazine is another way to shop. Ordering by mail or phone offers the convenience and economy of shopping at home. The main drawback is that the reliability of mail-order retailers varies greatly. It pays to check out a company carefully before ordering. By sure you understand the policies for the return of merchandise. Items that you buy by description rather than by in-store inspection may not meet your expectations. In such cases, you will need to know how to return the merchandise.

Consumer cooperatives are non-retail associations. They are formed, owned, and operated by a group of members for their mutual benefit rather than for profit. Members of a cooperative contribute services or dues to participate in the association. Cooperatives usually offer goods and services at lower prices than retail stores. Sometimes, however, the selection of goods and services is limited.

Regardless of where you shop, deal only with sellers who are fair and honest with customers. This is the only way you can protect your interests in the marketplace. The checklist in 5-5 can help you determine if sellers are honest.

SELLING METHODS

When you enter the market place to buy goods and services, remember that businesses want to sell at the highest price. You want to buy at the lowest price. The purpose of the market is to arrive at a price in between.

To increase sales and profits, businesses use a number of selling methods. Advertising, buying incentives, special sales, and available credit are used to entice consumers to buy. You can make these selling methods work for you as long as you understand that their main purpose is to sell goods and services.

Advertising

Businesses advertise to sell goods, services, ideas, and images. Through advertising, sellers tell you about their products and services. Keep in mind that the primary purpose of advertising is to sell. Only positive information about a product or service is likely to appear in an ad or commercial.

Although false and misleading advertising is prohibited by law, you should still expect some exaggerated claims. Sellers try to show their products and services in the best light possible. They do this by telling you only the good things about the products and services they want to sell. If you remember this, advertising can be beneficial to you as well as the seller. You win when you look for useful information in ads. You lose when you let ads persuade you to buy what you do not want, do not need, or cannot afford.

Case Study

WINNERS AND LOSERS

Barbara and Don have been married for three months. They both work full-time, so their shopping must be done in the evenings or on weekends. Although Barbara and Don share household responsibilities, Barbara does most of the food shopping.

Before shopping, Barbara reads the weekly food ads in the newspaper. She compares food prices in the nearby supermarkets. She finds that she can save money by taking advantage of advertised specials.

The food ads tell Barbara what foods are plentiful at good prices. They also give her ideas for meals and help her plan menus. By knowing how to use food ads, Barbara saves time planning meals and saves money buying food. Barbara is a winner.

Pete has a weight problem. He simply cannot pass up a chocolate fudge sundae, an order of fries, or a plate of donuts. He seems to be eating all the time. His extra weight makes him self-conscious and disgusted with himself. But the more he worries about his problem, the more he eats.

One day Pete sees an ad titled, "Eat your way slim and trim." The product is Weight Losers Chocolate. The ad says to eat one chocolate bar before meals and whenever the urge to snack strikes. Pete thinks this is the perfect answer to his weight problem. He goes to the nearest drug store and buys a large supply of the miracle candy. What does he have to lose besides his unwanted weight?

Pete becomes a loser all right. The candy doesn't taste like candy, hot fudge sundaes, or anything else Pete likes. For a few days, he makes himself eat the diet snack, but it doesn't satisfy his craving for a tasty treat. Soon the candy finds its way into the trash

PETER B. MEAD

5-4 Neighborhood stores may have a limited selection of goods and services, but they may offer excellent service.

EVALUATING SELLERS

1. Are policies concerning returns, exchanges, and refunds reasonable?
2. Is advertising believable? Are goods and services available at advertised prices?
3. Are salespeople helpful without being pushy?
4. Can you get straight answers to questions about products, services, and policies?
5. Does the seller belong to the local Chamber of Commerce, Better Business Bureau, or other associations that set standards for fair business practices?
6. Do prices and services compare favorably with those of other sellers?
7. Have people you know had favorable experiences dealing with the seller?
8. Do you get prompt, courteous attention when you have questions, problems, or complaints?
9. Does management accept responsibility for the actions of salespeople and other employees?
10. Does the seller have a good reputation in the community?

5-5 Answer these questions as you evaluate the honesty of a seller. Many "no" answers should warn you not to deal with the seller.

can. Pete doesn't lose weight, but he loses his money.

Questions to discuss

1. How does advertising influence consumer demand for goods and services?
2. How can consumers use advertising to their own advantage?
3. When are ads misleading, false, deceptive, or unfair? How does this type of advertising influence consumer demand? What can consumers do about it? What does the government do? What do reputable businesses do?

Buying incentives

Sellers may offer buying incentives to help sell goods and services. Trading stamps, coupons, store games, and prizes are all incentives to buy. Buying incentives are often found in magazines or newspapers. Sometimes they come with the purchase or trial of goods and services. Their primary purpose is to sell. You benefit from this selling method as long as you limit purchases to the goods and services you want to buy or try anyway. You lose if you buy something you do not really want just to get stamps or just to use a coupon.

Case Study

WINNERS AND LOSERS

Debbie wants to try a new creamy lipstick marketed by a well-known cosmetic company. To introduce its new product to consumers, the company runs ads in many magazines. The ads include a 25 cent coupon that can be redeemed with the purchase of one of the new lipsticks. Debbie cuts out the coupon and receives 25 cents off on a purchase she had planned to make anyway. She is a winner.

Another cosmetic firm decides to promote its new Masculine Scents with a contest. Prizes include $500 cash, five graphite tennis rackets, and 50 free bottles of Masculine Scents. To enter the contest, all you have to do is complete the sentence, "What I like best about Masculine Scents is . . ." Along with the entry, you must include a label from a bottle of the cologne.

Although Larry does not use men's cologne, he buys a bottle of Masculine Scents just to enter the contest. He buys something he doesn't want and will never use just to enter a contest which he doesn't win. Not only does he lose the contest, he also loses the $5.50 he spent on the cologne. In this case, Larry is a two-time loser.

Questions to discuss

1. What value do you see in buying incentives such as coupons, trading stamps, and prizes?
2. What experience have you had with incentives that encourage you to buy?
3. What are the pros and cons of buying incentives from the seller's point of view? From the buyer's point of view?

Special sales and promotions

Businesses hold special sales and promotions to attract customers and increase sales. Because price reductions and promotions increase sales and profits, they benefit the seller. When you buy goods and services you need on sale, you benefit as well, 5-6. But if you let reduced prices persuade you to buy what you do not need, cannot afford, or do not really want, you lose.

Case Study

WINNERS AND LOSERS

Steve needs to replace the sleeping bag he received as a gift for his tenth birthday. He and a friend are planning to camp cross country right after their high school graduation.

In the Sunday paper, Steve sees an ad for down sleeping bags at one-third off the regular price. The next day he makes a trip to the sports shop that ran the ad. Steve finds a good selection of sleeping bags at reduced prices. He decides to buy a $90 down sleeping bag for $60. Steve wins with this bargain that saves him $30.

Susan sees the same ad. She had never gone camping, but she thinks it might be fun.

Several of her friends go on family camping trips every spring. She has been invited two or three times but has always been busy doing something else. Susan figures she will go camping someday and will need a sleeping bag. She has heard that down sleeping bags are the best.

The day after seeing the ad, Susan picks up her paycheck for a part-time job and heads straight for the sports shop. She spends most of her paycheck for a deluxe down sleeping bag. It is a $120 bag reduced to $80. Susan doesn't see how she can go wrong with a bargain like this.

Susan never does go camping. The sleeping bag sits in her closet in its original wrapping. She loses $80.

Questions to discuss

1. What advantages do sales and promotions offer consumers?
2. What experiences have you had buying goods and services during special promotions and sales?
3. Why was the purchase of a sleeping bag on sale a bargain for Steve and a costly mistake for Susan?
4. Why are people so often tempted to buy at a sale even if the goods and services do not meet real needs?

Consumer credit

Businesses often offer consumer credit so consumers can buy more goods and services and higher priced goods and services. Thus, credit can benefit sellers by increasing sales. On the other hand, credit can benefit consumers when they use it with forethought and planning.

Case Study

WINNERS AND LOSERS

Connie graduated from college recently and moved into a place of her own. For the first time in her life, she has a steady job and a fairly good income. One of her first official acts as an independent working person is to

SPECIAL SALE
SPECIAL SALE

5-6 Buying an item on sale can be a real savings if you need it.

apply for a credit card. She wants the convenience of being able to charge her purchases.

Having a credit card makes Connie feel more like a complete adult than her job does. She loses no time in using the new card. Her first purchases are mostly clothes and little extras she has always wanted but could not afford before she had a job.

At the end of the first month, Connie's credit card bill comes to almost $400. It is a real shocker. Since Connie did not keep a record of her charges, she can't believe that she has spent so much. Her paycheck is only $735 a month after deductions. By the time Connie pays her rent and other expenses, she has just $60 left to pay on the credit card account. Already she is well into debt.

Looking back, Connie really doesn't have much to show for the $400 she spent. She could have done without most of the purchases. It takes Connie five months to pay off her credit card debt. She also pays over $25 in finance charges. Connie is a credit card loser.

Jeff looks at credit as a useful but dangerous tool. He too is on his own for the first time and has his first credit card. He realizes the importance of establishing credit so he can get loans in the future. Besides, he doesn't think it is realistic to buy everything with cash.

Although Jeff is happy to have his credit card, he is a little afraid of it. His family had some debt problems when he was younger. Jeff doesn't remember the details, but he does remember having to "do without" while the family worked its way out of debt.

Jeff decides to use his credit card sparingly and to keep track of his charges. He plans to limit his overall debt to an amount he can repay with ease. He also plans to use credit only for things he really needs. His first big charge is for a raincoat he buys on sale, $20 off the regular price. Jeff uses his credit card because he doesn't have enough cash before payday. If he waited until payday, the coat would no longer be on sale. By using credit wisely, Jeff saves $20. Over the years, his careful use of credit makes him a winner.

Questions to discuss

1. How does the availability of credit influence consumer demand?
2. How does offering credit work in the interest of sellers?
3. How can the use of credit benefit consumers? How can it create problems?
4. What can consumers do to enjoy the benefits and avoid the problems of using credit?

The right of refusal

You can be a winner in most of your shopping experiences. Simply exercise the right of refusal when sellers offer what you do not need, do not want, or cannot afford. As long as our economic system guarantees free economic choice, no one can make you buy what you do not need or want. You always have the ultimate right of refusal. You need this right to protect your financial interests.

On a larger scale, consumers need the right of refusal to maintain control of the demand of goods and services. Consumers have the power to strengthen the demand for what they buy and to weaken the demand for what they refuse. Thus, our economic system, as well as your own financial welfare, depend on the intelligent use of the power of refusal.

SHOPPING INFORMATION

There is no substitute for reliable information when you go shopping. As goods, services, and markets become more varied and complex, good information becomes more important. Information about goods and services comes from a wide range of sources. The most common sources include advertisements, labels, test results, and warranties. Knowing how to use this information can help you become a better shopper.

Advertisements

Advertisements are common sources of information about goods, services, and sellers. Although ads vary in format, most contain some useful information. To make use of ads and commercials, concentrate on the facts.

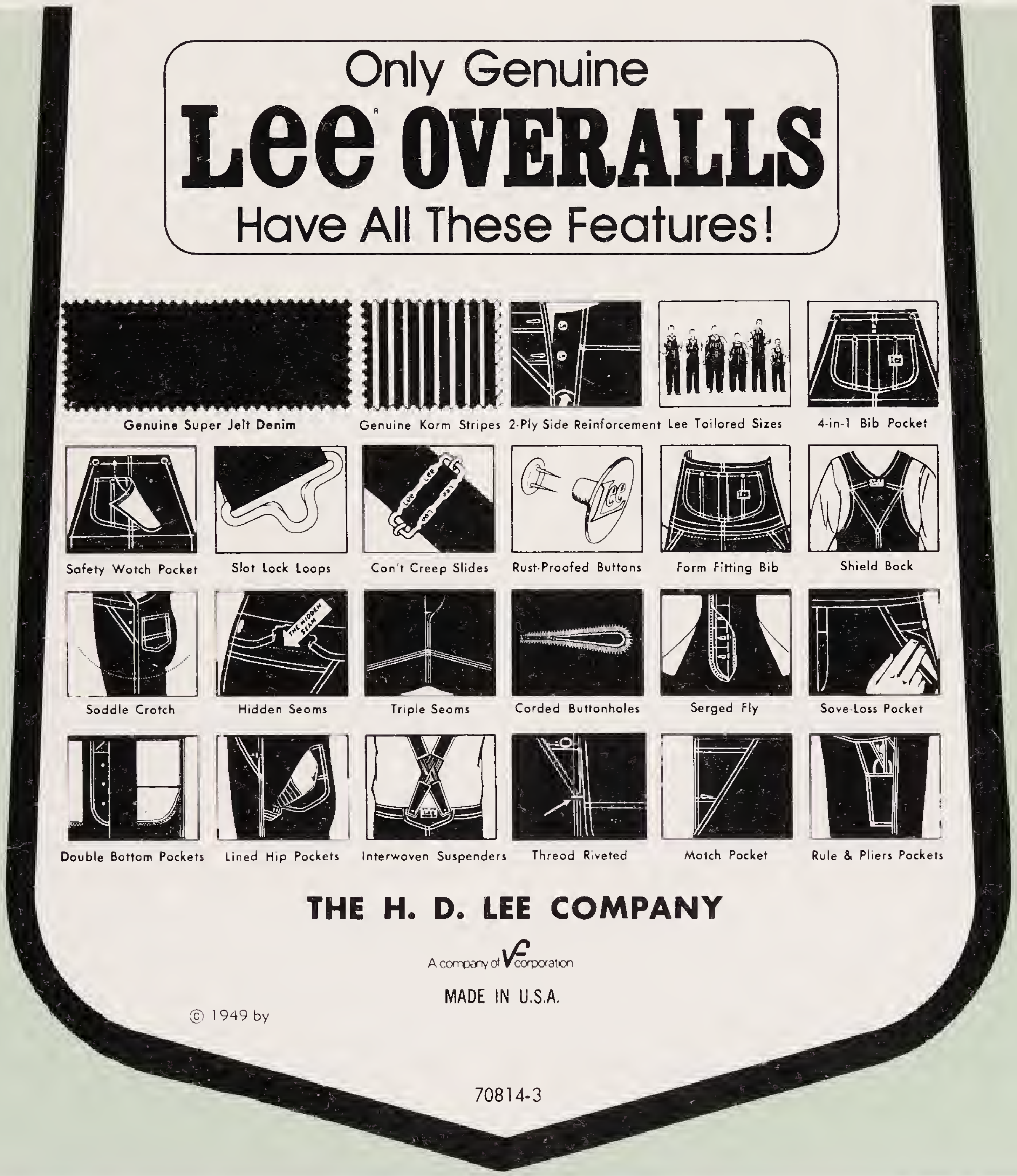
Look and listen for brand names, features, warranties, and prices.

Labels and hangtags

Information on labels and hangtags tells you about the content, workmanship, performance, and maintenance of products, 5-7. This information helps you select, use, and care for products.

For some products, laws require certain facts to appear on labels. For example, the Federal Trade Commission issued the Permanent Care Labeling Rule. It states that almost all clothing items must have labels that give clear and complete instructions for care and maintenance.

When reading labels and hangtags, look for the brand name of the product and the name and address of its manufacturer. Also read about the materials used in the product, the size or amount of the product, and how to use and care for it. For food products, note the ingredients, grade and quality levels, expiration dates on perishables, and storage information.



Only Genuine
Lee® OVERALLS
Have All These Features!

Genuine Super Jelt Denim
Genuine Korm Stripes
2-Ply Side Reinforcement
Lee Tailored Sizes
4-in-1 Bib Pocket
Safety Watch Pocket
Slot Lock Loops
Can't Creep Slides
Rust-Proofed Buttons
Form Fitting Bib
Shield Back
Saddle Crotch
Hidden Seams
Triple Seams
Corded Buttonholes
Serged Fly
Save-Loss Pocket
Double Bottom Pockets
Lined Hip Pockets
Interwoven Suspenders
Thread Riveted
Match Pocket
Rule & Pliers Pockets

THE H. D. LEE COMPANY
A company of VF corporation
MADE IN U.S.A.
© 1949 by
70814-3

5-7 This label gives useful information. It lists and illustrates the quality features of the overalls being sold.

Testing and rating

The testing and rating of consumer goods and services provide valuable guides for shopping. The two most common forms of testing and rating results are seals of approval or certification and ratings in consumer publications.

Seals usually rate products as "approved," "certified," "tested," or "commended." Organizations that test the products issue seals for the products that meet their standards. Two common seals are explained in 5-8.

Consumer Reports and *Consumers Research Magazine* carry ratings of tested products and services which provide comparative buying information to help consumers shop wisely. To use testing and rating information intelligently, you need answers to these questions:

Who sponsored or conducted the testing? Consider the qualifications, interests, and intentions of the testing organization.

What features and performance standards were tested? Be sure features and performance standards that are most important to you were tested.

Under what conditions were tests run, and what test methods were used? Check to see if products were tested for the type of use you will give them. For example, suppose TV reception was tested under ideal laboratory conditions and you live where there is a lot of interference. The test results would not help you.

What do the test results mean? Read explanations of seals and ratings carefully to find out exactly what they mean.

When were the products tested? Products tested one year could improve or become less desirable the next year, particularly in product lines where research brings about frequent changes.

What factors are important to you that are not included in testing? Consider price, availability, credit terms, delivery, and reputation of the seller. The factors that are important will vary according to the product. If you want a small, fuel-efficient car, you may like a foreign model. However, it may be difficult to locate a nearby service facility for foreign cars. As a smart shopper, you must weigh all the factors before you buy.

Written warranties

A written warranty guarantees that a product will meet certain performance and quality standards. The warranty provides for specific remedies if the product fails to meet stated promises. The basic types of written warranties are *full* and *limited*. The law requires that a *full warranty* provide:

- Free repair or replacement of defective products or parts.
- Repair or replacement within a reasonable time.
- No unreasonable demands on the customer as a condition of receiving repairs or replacement.
- Replacement if a number of attempts at repair fail.
- Transfer of coverage to a new owner if the product changes hands during the warranty period.

A *limited warranty* may require the customer to pay labor costs or handling charges. It may cover repairs only and not replacement. It also may require return of the product to seller or authorized service center for warranty servicing.

Most warranties cover the product for a stated period of time such as 90 days or one year. A product may carry a full warranty on certain parts and a limited warranty on other parts. Warranties do not protect against product failure caused by customer misuse of a product. According to law, a warranty must state:

- Whether it is full or limited.
- What it covers—the entire product or only certain characteristics or parts.
- What will be done if the product fails.
- How long coverage lasts.
- How to get warranty benefits with names, addresses, and details needed to request warranty action.
- The limitations on coverage and the requirements of the buyer in obtaining coverage.

In addition to the written warranty, most products carry unwritten *implied warranties of merchantability and fitness. Implied merchantability* means that a product is what it is called and does what its name implies. A toaster must toast bread; a heater must produce heat. The product must be in working order. *Implied fitness* means that a product must be fit for any performance or purpose promised by the seller. If a salesperson or hangtag suggests roller skates for outdoor use, they must be fit for outdoor skating. Implied warranties apply to the condition of a product at the point of sale. They cover defects that are present but may not be obvious at the time of purchase.

You may need a proof of purchase to receive warranty service. Be sure to keep the sales slip, warranty, and model number of the products you buy.

To make the best use of a product warranty, read it carefully. Find out if it is full or limited. See if it covers the entire product or only parts of the product. Find out if the labor to repair the product is included. Read to see what performance is guaranteed. Find out who is responsible for carrying out warranty promises. Be sure you understand what you must do to receive warranty benefits. Warranties are a form of consumer protection. However, they protect you only if you do your part.

MAKING SHOPPING DECISIONS

Smart shopping depends on rational decision-making. To be a smart shopper, you need well-defined goals and a clear view of your resources. Then you can evaluate alternatives and make rational decisions when you shop.

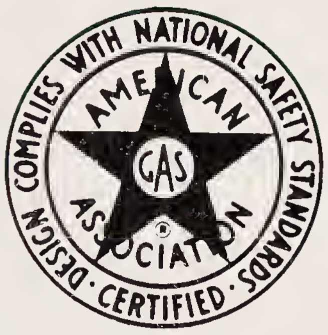
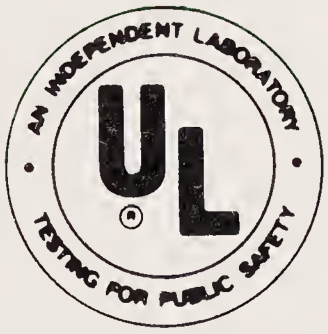
A shopping plan based on rational decisions is helpful for routine shopping and big purchases. With a plan, you can avoid impulse spending. You will know what quality levels you need for purchases. You will be able to use your money to reach your goals. The following case studies point out the importance of making rational decisions when shopping.

Case Studies

PLANNING IS THE KEY

Sue and John have been married for six months. Random spending has been a drain on their income. They both tend to make spur-of-the-moment buying decisions. They have never seriously discussed their goals and set up a buying plan.

TWO COMMON SEALS

The Seal	Where it is Found	What it Means
 COMPLIES WITH NATIONAL SAFETY STANDARDS AMERICAN GAS ASSOCIATION GAS DESIGN CERTIFIED American Gas Association	On gas accessories or appliances such as ranges, heaters, clothes dryers.	Products certified by the A.G.A. must conform to the standards of the American National Standards Institute for safety and design.
 AN INDEPENDENT LABORATORY UL TESTING FOR PUBLIC SAFETY Underwriters Laboratories Inc.	On appliances, equipment, and materials which could be hazardous and on products used to detect or extinguish fires.	Products have passed original laboratory tests and periodic factory tests and examination, in accordance with UL Standards for Safety.

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5-8 Seals of approval indicate that products meet certain performance or safety standards.

For example, they both want a long list of things for their new apartment. They need blankets, towels, lamps, pots and pans, pictures for the walls, and furniture. Each time John and Sue walk through a store, they see something they want to buy.

In the first month or two of their marriage, Sue and John bought randomly. As a result, they made a few foolish purchases. They also made many purchases they could have postponed. Now they are doing without some things they really need. Because of random spending, they have an electric knife but no toaster. They have lots of nice sofa pillows but a cheap lumpy mattress for their bed. They also have furniture that doesn't go well together. Sue bought a green-flowered chair the same day John bought a blue plaid sofa.

As Sue and John look closely at their finances, they begin to see their mistakes. They decide to change their situation by reviewing their needs and setting goals. They plan key purchases for the year by deciding which items are most important. They also estimate the cost of each purchase. This plan serves as an overall guide for their shopping and spending. Sue and John find that financial planning helps them make good shopping decisions.

Questions to discuss

1. How can random spending create money problems?
2. How can well-established goals help people make shopping decisions?
3. How might your goals for the next three to five years influence your shopping decisions?

THE PURPOSE DETERMINES THE PURCHASE

Tony is captain of his high school tennis team. He hopes to go to college on a tennis scholarship. Tony's tennis racket cracked during practice yesterday, so he needs to replace it. Selecting a new racket is an important purchase for him.

Tony needs a racket with the right grip, weight, balance, and flexibility. He also wants a racket that will last a long time. Tony is willing to shop carefully and pay the price for a good racket. He knows exactly what features he wants.

After looking at rackets in several stores, Tony buys a top-of-the-line racket from a tennis pro. The pro checks the grip for Tony and strings the racket with just the right tension. The racket is expensive, but Tony knows he is getting his money's worth.

Amy is 15. She wants to play tennis because some of her friends play. She needs a racket, but it doesn't have to be the best. Amy doesn't know how much she will like the game or how much she will play. Therefore, she doesn't want to spend a lot of money.

Amy goes to a reliable store that sells sporting goods. She asks to see an inexpensive racket that will be good enough for learning the game. She buys a medium quality racket for a reasonable price. The racket works very well for her.

Both Tony and Amy knew what they needed to serve their purposes. Knowing what features, performance requirements, quality, and price range you want gives direction to your shopping. When shopping for products with a variety of features, make a list of the features that are most important to you. For products that are available at different quality levels, chart 5-9 can help you decide what quality to buy.

Questions to discuss

1. How do you think price is related to quality and features in a product?
2. What factors might influence your choice of a:
   a. Winter coat?
   b. Typewriter?
   c. Tape recorder?
   d. Suntan lotion?
   e. Musical instrument?
   f. Correspondence school?
3. What results might you expect if you do not know what you want when making a purchase for a specific purpose?

A SHOPPING LIST SAVES THE DAY

Nancy is 16. She offers to do the grocery shopping for her family since both of her parents have full-time jobs. When Nancy first assumes this responsibility, she finds herself coming home without several items she needs. Sometimes she comes home with a number of foods she didn't intend to buy. The money she has to spend for food each week doesn't go as far as it did when her father did the shopping. Soon the family starts complaining. They say that Nancy spends too much money but doesn't buy the things everyone likes.

One day Nancy comes home with a dozen artichokes. But she forgets the milk and the meat. The artichokes were on sale, and Nancy really likes them. Unfortunately, no one else in the family will touch one. Everyone makes such a fuss that Nancy agrees to pay for the artichokes with her own money. That really bites into Nancy's personal budget.

Nancy decides there must be a better way. Her first step toward smarter shopping is to prepare a shopping list. A list will help her remember all the things she needs. It will also help her control impulse spending. She will think twice before buying items that are not on her list.

Within a few weeks Nancy is shopping in the supermarket like a pro. She knows what she wants and buys it. She is coming home with three bags of groceries for the same price she was paying for two. Nancy also notices that less food is wasted. The family is beginning to praise her shopping skills.

Nancy's shopping list is the main reason for her improved skills. She keeps her list in a handy place in the kitchen. When she is almost out of something, she adds that item to the list. Before going to the store, she checks the food pages of the local paper for advertised specials. She adds low priced items to her list when they fit into her meal plans.

Once in the store, Nancy sticks to her list. She makes exceptions only when she finds:

- A good substitute for something else on her list. For example, she might buy pork chops

CHOOSING QUALITY

Best quality	**Medium quality**	**Lower quality**
Top of the line. Upper price range. The most and best features. The highest standards for materials, design, and performance.	Medium price range. Standard features. Adequate standards for materials, design, and performance.	Lowest price range. Very few features. Minimum standards for materials, design, and performance.
Buy when:	**Buy when:**	**Buy when:**
Top quality and performance are needed for your purpose. The item will be used a long time. You can afford the very best and the status of having it is worth the cost.	Medium quality suits your purpose. Medium quality sells at the best price for your budget. The finest or best is not necessary for the way you will use the product. Durability, practicality, and reasonable price are important.	Lower quality suits your purpose. The item will be used only occasionally. The purchase is necessary and better quality is beyond your budget. The item will be outdated or outgrown soon or will be used only temporarily.

5-9 This chart can help you evaluate product quality levels and decide what level of quality to buy for your needs.

instead of chicken breasts when pork is a better buy.

- Other items selling at very special prices. But Nancy makes sure that the items will fit her meal plans and family tastes.
- Nonperishable staples at low prices. Nancy knows she can save in the long run by buying staples at low prices and storing them until they are needed.

Nancy's new approach to shopping saves both time and money.

Questions to discuss

1. What experience have you had shopping in a supermarket with or without a list?
2. How do you think a shopping list would help you make shopping decisions:
   a. In a supermarket?
   b. For Christmas presents?
   c. At the drug store?
   d. In a department store or shopping center?

GENERAL SHOPPING GUIDES

Whether you are shopping for goods or services, here are some shopping guides that will help you.

Guide #1: Deal with reputable, reliable businesses, sellers, and professionals.

Guide #2: Compare products, services, and places to shop. Check prices, quality, performance, and anything else that is important for a specific purpose. Check warranties too, especially for products that are likely to need servicing.

Guide #3: Consider the value of time and energy as well as money. For example, suppose the price of a product is lower in a shopping center than in a neighborhood store. The neighborhood store is just around the corner. The shopping center is 15 minutes away by car. Getting the product at the shopping center would take more time, energy, and gasoline. When you weigh these disadvantages against your savings, is it worth it? You will face many judgments like this one as you shop.

You can save time and energy by planning and combining shopping trips. Try to make one trip to a store or shopping center rather than several trips.

Guide #4: Do a little homework before buying costly goods and services. If you are unfamiliar with a product or service, take time to learn more about it. Having some idea of the prices, ratings, and features of products and services can help you make informed decisions.

Guide #5: Report unfair or dishonest business practices to the proper authorities. Depending on the problem, the Better Business Bureau, Chamber of Commerce, Federal Trade Commission, Food and Drug Administration, or Postal Department should be able to help you. Consumer departments in local and state governments and the state attorney general's office can also help resolve business conflicts. In some cases, law enforcement agencies depend on the help of citizens to track down wrongdoers in the marketplace. By contacting the proper authorities, you can help put dishonest sellers out of business.

Guide #6: Handle money with care whether you are shopping with cash or credit. When paying with cash, keep receipts and sales slips for possible returns or exchanges. When paying by mail, send a check or money order. This is safer than mailing cash, and it gives you a record of the payment. When using credit, be sure to keep track of credit purchases. Limit total charges to an amount you can pay with ease.

Guide #7: Deal honestly with others in the marketplace and everywhere. As you come in contact with professionals, businesses, salespeople, and other shoppers, remember the guidelines in 5-10. By being courteous and honest, you will get better results.

Shopping for goods

Making the best selections from a variety of goods is not always easy. Today, choices are almost unlimited. The average supermarket alone carries over 8000 items for sale. Imagine the number of products for sale in a large shopping mall!

When you buy merchandise, inspect it carefully. Read labels, hangtags, seals, instruction manuals, and warranties. Look for information about the price, manufacturer, and performance features. Also consider any extra costs for the delivery, installation, upkeep, and servicing of goods. Be sure to find out what you are buying and the quality you are getting.

When possible and practical, buy goods in quantity. For example, soap at three bars for a dollar is a better buy than 40 cents each. But buy in large quantities only when you will use the entire amount.

As you shop for goods, remember the different options available to you. Compare products at different stores to find the best values. You may be able to save a lot of money by comparison shopping.

In some cases, you can meet your needs with used merchandise instead of brand new goods. For example, an apartment can be furnished with used furniture for a small fraction of the price you would pay for new.

To make shopping easier, learn what characteristics and features are important in different types of goods. This will help you evaluate quality and performance as you shop.

Shopping for services

Buying services is different from buying goods. When you buy a product, you can see it, inspect it, try it on, or handle it. After

SHOP FAIR AND SQUARE

WITH SALESPEOPLE

Accept or refuse help politely.

Refuse firmly if necessary.

Wait your turn when stores are crowded and salespeople are busy.

Avoid last minute shopping just before closing time.

Ask for salespeople who have been helpful in the past, and let them know you appreciate their help.

Be as polite to salespeople as you are to other people.

Handle merchandise with care to avoid soiling or damaging it.

Return things to their proper places after you have inspected them.

Tell a salesperson or someone in charge if merchandise is damaged or broken.

Be as free with compliments for good service as you are with complaints for poor service.

WITH OTHER SHOPPERS

Wait your turn when several shoppers want help at the same time.

Avoid pushing, shoving, raising your voice, and blocking aisles or doorways.

Park in designated places at shopping centers.

Control children, pets, and shopping carts.

Respect the needs and belongings of other shoppers.

WITH PROFESSIONALS

Respect the expertise, training, and education a professional can offer you.

Understand that professionals are selling their time; do not waste it.

Be on time for appointments or give plenty of notice if you must be late or break an appointment.

Pay promptly when billed for professional services unless you have made credit arrangements.

Call during office hours except when emergencies require off-hour calling.

Remember, in most cases, you are in partnership with the professionals who serve you. You must work together to achieve mutual goals.

WITH BUSINESSES

Let merchants and manufacturers know what you like and dislike about products, services, and policies.

Make necessary returns and exchanges promptly. If you buy a raincoat in April and return it in June, the store will lose money. The coat will have to be reduced to sell after the season.

Be businesslike about handling problems and registering complaints.

Avoid damaging merchandise or making unfair returns, exchanges, or demands.

5-10 As a shopper, you have an obligation to be honest and courteous to others.

using a product once, you can usually expect it to be the same each time you buy it.

When buying a service, you don't know what you are getting until after you receive it. For the most part, you buy on faith. Therefore, it is important to check the reputation of any business or person who offers a service. Try to talk with former customers. Find out if they have been satisfied with the service they received.

When having someone perform services that require special knowledge or skills, check the person's qualifications. Choose only qualified professionals whom you trust to do a good job. See 5-11.

Be sure to ask questions when you shop for services. Find out who does the service, how long it takes, how much it costs, and what the price includes. For expensive services, such as auto repairs and home improvements, get several written estimates from different businesses. Compare estimates carefully, reading all details.

Also, give a clear and complete description of the type of service you want. For example, when you get a haircut, describe the type of cut you want or bring a picture of the style. If you don't know what you want, ask for advice. Professionals who know their fields can give you valuable information.

Shopping at sales

All of the smart shopping guides also apply to sales shopping. However, there are a few special tips for sale time. One important point to remember is to buy because the item is right for you, not because the price is low. For example, if you do not sew, a $289 sewing machine on sale for $119 is no bargain. A $90 jacket on sale for $35 is no bargain if it doesn't fit. A half-price special on banana splits is no bargin if you are on a diet.

DEPT. OF LABOR

5-11 When you need medical attention, choose a competent and skilled doctor whom you can trust.

When shopping at a sale, examine the sale merchandise carefully. If a sale item is marked "second" or "irregular," there is probably a flaw in the product. Look for the flaw and see if it will affect your use of the product, 5-12.

Always compare the sale price to the original price. Try to determine how good a bargain you are getting. If the sale items are soiled or damaged, add to the sale price any repair costs. For example, suppose a $50 white coat is marked down to $30 but is soiled and needs dry cleaning. Add the cost of dry cleaning the coat to the sale price before figuring your bargain.

Before you buy a sale item, find out store policies on sales. Does the store allow refunds and exchanges on sale items? Some stores may not allow returns on sale items.

Try to plan your purchases to match the timing of sales. Seasonal sales usually offer the best buys. Mid-summer is the best time to buy summer clothes and sporting goods on sale. After Christmas, decorations, gift items, and toys go on sale. Most stores have holiday sales every year. Knowing when to expect sales of certain products and services can help you plan your purchases. Chart 5-13 gives a monthly guide for sales shopping.

PETER B. MEAD

5-12 Always inspect sale merchandise for quality. Some sale items may be reduced because they have been soiled or damaged or because they are of lower quality.

SHOPPING GUIDE FOR SEASONAL SALES

JANUARY	FEBRUARY	MARCH
Watch for: post-holiday sales pre-inventory sales January ''white'' sales Best buys: winter clothing coats, furs bedding, linens furniture and floor coverings	Watch for: Lincoln's and Washington's Birthday sales Valentine's Day specials Best buys: china, silverware, glassware rugs and floor coverings TVs and other sound equipment sportswear and equipment furniture and home furnishings housewares used cars	Watch for: spring and Easter promotionals Best buys: china and glassware garden supplies housewares laundry equipment
APRIL	**MAY**	**JUNE**
Best buys: fabrics lingerie and hosiery sleepwear ladies shoes spring cleaning, painting, and repair supplies	Watch for: Mother's Day sales Memorial Day specials Best buys: outdoor furniture luggage jewelry auto tires and accessories	Watch for: Father's Day sales bridal and graduation gift specials Best buys: floor coverings bedding lingerie and hosiery sleepwear men's and boys' clothing women's shoes
JULY	**AUGUST**	**SEPTEMBER**
Watch for: 4th of July sales Best buys: fabric furniture furs summer clothes sportswear and equipment	Watch for: summer clearances back-to-school sales Best buys: sports equipment white goods furniture outdoor furniture and garden supplies furs	Watch for: back-to-school sales Best buys: outgoing year's car models auto accessories china and glassware fall fashions housewares
OCTOBER	**NOVEMBER**	**DECEMBER**
Watch for: Columbus and Veterans's Day specials Best buys: major appliances furniture women's coats fall/winter sportswear last of outgoing year's car models	Watch for: Election and Thanksgiving Day specials Best buys: shoes blankets white goods major appliances china and glassware Christmas gifts and toys	Watch for: Christmas gift and toy promotions post-Christmas sales Best buys: used cars resort and cruise wear children's wear men's and boys' wear coats

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5-13 This shopping calendar can help you time purchases to get the best sale prices.

to Know

consumer cooperative
full warranty
limited warranty
warranty

to Review

1. The marketplace is characterized by free economic choice, the profit motive, and __________.
2. How do consumers try to make a profit?
3. How do businesses try to make a profit?
4. How does competition influence businesses and consumers?
5. What businesses and consumers make the best profits?
6. Name an advantage and disadvantage of shopping at neighborhood stores.
7. True or false. Consumer cooperatives usually offer goods and services at higher prices than retail stores.
8. Name four techniques businesses use to sell goods and services.
9. What is the primary purpose of advertising?
10. How can consumers benefit from buying incentives?
11. What kind of information are you likely to find on product labels and hangtags?
12. Before choosing a product based on a rating it has received, what do you need to consider?
13. True or false. A seal is a guarantee that a product has certain quality standards or will operate a certain way.
14. When you buy a product with a warranty, what information do you need to keep with the warranty?
15. When paying by mail, why is it best to pay by check or money order?
16. What is the main difference between buying a product and buying a service?
17. When is it best to buy a product or service on sale?

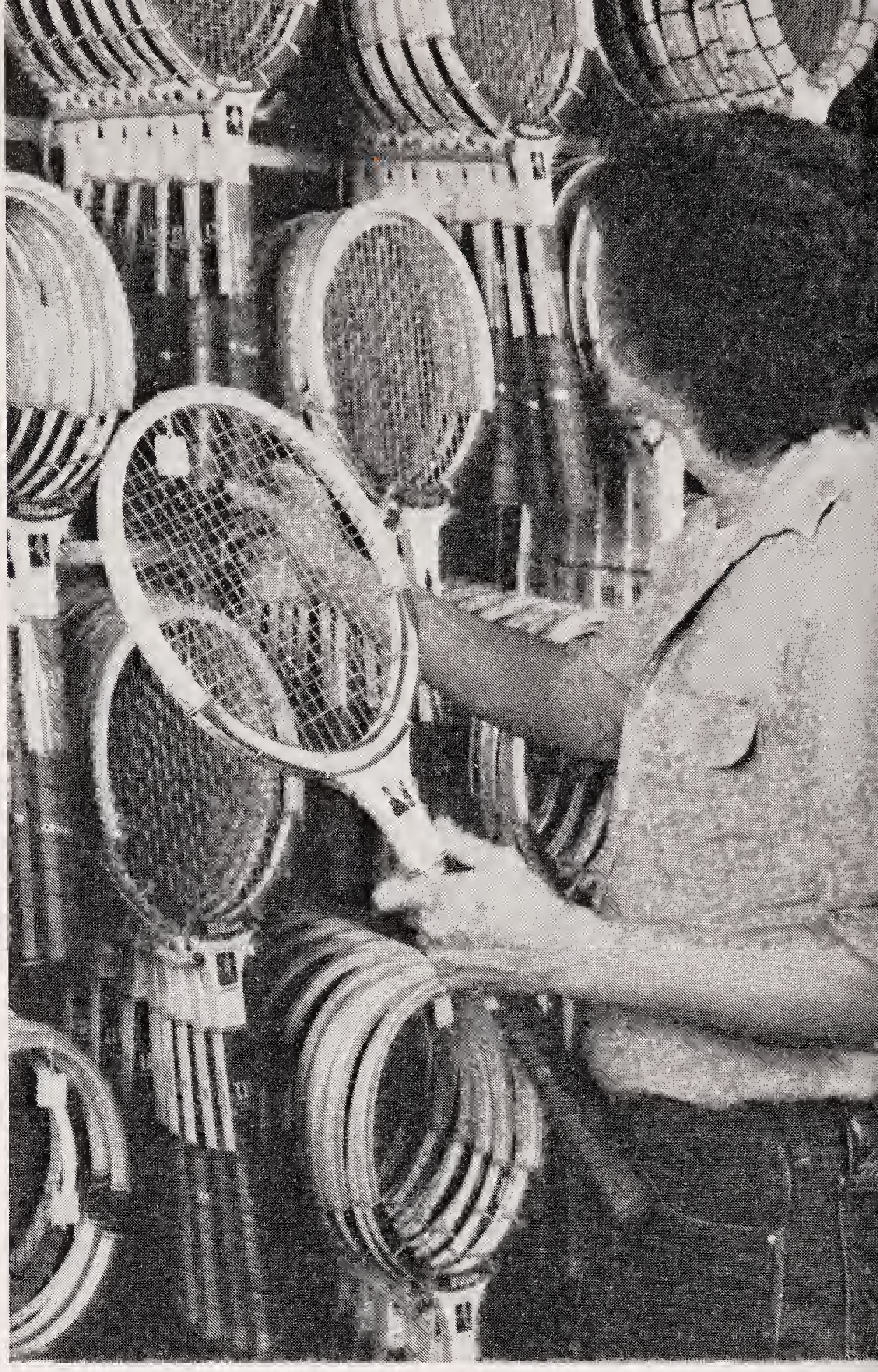
to Discuss

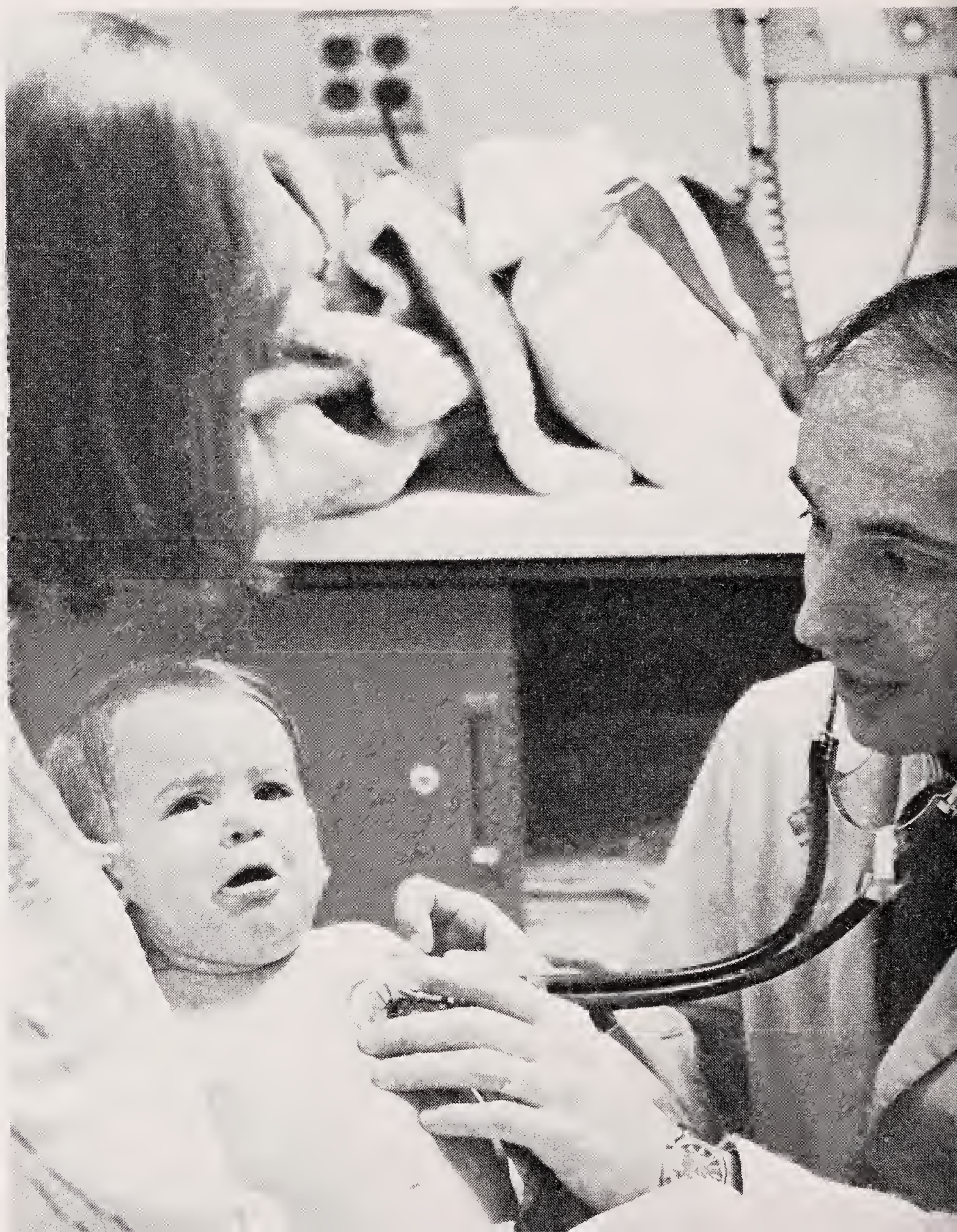
1. Where do you do most of your shopping? Do you shop at different places for different types of goods such as clothes, grooming supplies, sporting goods, snacks, and groceries? Why?
2. How can you use the selling methods of businesses to help you shop?
3. When did you ever find advertising to be misleading or exaggerated? Give some examples.
4. How can a shopping list help you save money and time?
5. What sources of information have you found most helpful when buying goods and services? Why were they helpful?
6. How do you decide what to buy? How does need, price, and quality affect your shopping decisions?
7. How can well-established needs and goals help you make shopping decisions?
8. What has been your most successful shopping experience? Your most disappointing shopping experience? Why was one successful and the other disappointing?

to Do

1. Page through a number of magazines and newspapers and look at the advertisements. How much useful information can you find among the ads? Which ads give little or no information but appeal to your emotions? Find five examples of informative ads and give examples of ads that appeal only to the emotions. Show your examples to the class.
2. List at least five products that you want or need to buy in the near future. According to the monthly buying guide, what month of the year would you most likely find the best bargain for each product you listed?
3. From your product list above, choose one that costs $25 or more. Make a list of the characteristics and features you want this product to have. Then check brand names and prices for this product at three or more stores. What differences do you find in quality and prices from one brand to another and from one store to the other?

Niblets





part
three

Routine spending

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7 **The shirt on your back,** 135
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8 **How you look and feel,** 155
Buying grooming aids and services, Selecting health care professionals, Government health care programs, Health insurance, Health Maintenance Organizations, Selecting sports and hobby equipment, Travel and vacation planning

Louis Rich
Louis Rich
Louis Rich
Louis Rich
BACON
COUNTRY INN

6

The grocery cart

After studying this chapter, you will be able to:

- ☐ Plan nutritious, appetizing meals and snacks.
- ☐ Establish a food budget based on your individual needs and resources.
- ☐ Evaluate food stores to determine the best places to shop for economy, selection, and quality.
- ☐ Select, buy, and store dairy foods, eggs, meat, poultry, fish and shellfish, fruits and vegetables, and grain products.
- ☐ Select and visit restaurants with confidence.

On the average, families spend about one-fourth of their income in food stores and restaurants. Over a lifetime, you will spend thousands of dollars on food. The decisions you make as a food buyer are important.

The food you eat affects the way you look, feel, and perform. Eating the right foods can help you stay healthier and live longer. Learning how to select, store, and prepare foods for nutritious meals can have a positive effect on both your health and your food budget.

PLANNING NUTRITIOUS MEALS AND SNACKS

The foods you eat can help make the difference between winning or losing a race, passing or failing a test, and catching or resisting a cold. Although eating well-balanced meals cannot do any of this alone, your diet does play an important role. Eating the right amounts of the right foods can give you just the edge you need. You can run a little faster, think a little clearer, and stay a little healthier.

To plan nutritious meals and snacks, you need to be aware of the foods and nutrients your body needs. Then you will be able to select nutritious foods with confidence.

Nutrients you need

Nutrients are chemical substances found in foods. They furnish the body with energy, build and maintain body tissues, and regulate body processes. The body needs six types of nutrients to keep it healthy and working right. These six nutrient groups are proteins, fats, carbohydrates, vitamins, minerals, and water. Chart 6-1 lists the functions and sources of key nutrients.

The *Recommended Daily Allowances (RDA)* can help you determine the amount of each nutrient you need each day. These guidelines are set and published by the Food and Nutrition Board of the National Research Council of the National Academy of Sciences. The RDA contains detailed dietary recommendations for people of different sexes, ages, and weights. (See Appendix A.)

To simplify the RDA and make nutrition labeling practical, the Food and Drug Administration developed the *United States Recommended Daily Allowances (U.S. RDA).* Generally, the highest amount recommended for each nutrient listed in the RDA is the amount used for the U.S. RDA. (See Appendix B.) Unlike the RDA, the U.S. RDA is not a guideline for planning a well-balanced diet. Rather, the U.S. RDA is a standard used to determine the information on the nutrition labels of food products.

The U.S. RDA is divided into four categories:

- Infants under 12 months.
- Children one to four years old.
- Adults and children over four.
- Women who are pregnant or nursing babies.

The U.S. RDA for adults and children over four is the standard used to determine the nutrition information given on the labels of most foods. Nutrition information panels on food labels will be discussed in more detail later in this chapter.

NUTRIENTS

NUTRIENT	FUNCTIONS	SOURCES
Protein	Builds and repairs tissues. Helps make antibodies, enzymes, hormones, and some vitamins. Regulates fluid balance in the cells. Regulates many body processes. Supplies energy, when needed.	High quality proteins: Meat, poultry, fish, eggs, milk and other dairy products, peanuts, peanut butter, lentils. Low quality proteins: Cereals, grains, vegetables.
Fat	Supplies energy. Carries fat-soluble vitamins. Protects vital organs. Insulates the body from shock and temperature changes. Adds flavor to foods.	Butter, margarine, cream, cheese, marbling in meat. Nuts, whole milk, olives, chocolate, egg yolks, bacon. Salad oils and dressings.
Carbohydrate	Supplies energy. Provides bulk in the form of cellulose (needed for good digestion). Helps the body digest fats efficiently.	Sugar: Honey, jam, jelly, sugar, molasses. Fiber: Fresh fruits and vegetables, whole grain cereals and breads. Starch: Breads, cereals, corn, peas, beans, potatoes, pasta.
Vitamins **Vitamin A**	Helps keep skin clear and smooth. Helps keep mucus membranes healthy. Helps prevent night blindness. Helps promote growth.	Liver, egg yolk, dark green and yellow fruits and vegetables, butter, whole milk, cream, fortified margarine, ice cream, cheddar-type cheese.

NUTRIENT	FUNCTIONS	SOURCES
Thiamin (Vitamin B-1)	Helps promote normal appetite and digestion. Helps keep nervous system healthy. Helps body release energy from food.	Pork, other meats, poultry, fish, eggs, enriched or whole grain breads and cereals, dried beans, brewer's yeast.
Riboflavin (Vitamin B-2)	Helps cells use oxygen. Helps keep skin, tongue, and lips normal. Helps prevent scaly, greasy areas around the mouth and nose. Aids digestion.	Milk, all kinds of cheese, ice cream, liver, other meats, fish, poultry, eggs, dark leafy green vegetables.
Niacin (a B-vitamin)	Helps keep nervous system healthy. Helps keep skin, mouth, tongue, and digestive tract healthy. Helps cells use other nutrients.	Meat, fish, poultry, milk, enriched or whole grain breads and cereals, peanuts, peanut butter, dried beans and peas.
Vitamin C	Helps keep gums and tissues healthy. Helps wounds heal and broken bones mend. Helps body fight infection. Helps make cementing materials that hold body cells together.	Citrus fruits, strawberries, cantaloupe, broccoli, green peppers, raw cabbage, tomatoes, green leafy vegetables, potatoes and sweet potatoes cooked in the skin.
Vitamin D	Helps build strong bones and teeth in children. Helps maintain bones in adults.	Fortified milk, butter and margarine, fish liver oils, liver, sardines, tuna, egg yolk, and the sun.
Vitamin E	Acts as an antioxidant although exact function is not known.	Liver and other variety meats, eggs, leafy green vegetables, whole grain cereals, salad oils, shortenings, and other fats and oils.
Vitamin K	Helps blood clot.	Organ meats, leafy green vegetables, cauliflower, other vegetables, egg yolk.
Minerals **Calcium**	Helps build bones and teeth. Helps blood clot. Helps muscles and nerves function properly. Helps regulate the use of other minerals in the body.	Milk, cheese, other dairy products, leafy green vegetables, fish eaten with the bones.
Phosphorus	Helps build strong bones and teeth. Helps regulate many body processes.	Protein and calcium food sources.
Iron	Combines with protein to make hemoglobin. Helps cells use oxygen.	Liver, lean meats, egg yolk, dried beans and peas, leafy green vegetables, dried fruits, enriched and whole grain breads and cereals.
Water	Is a basic part of blood and tissue fluid. Helps carry nutrients to cells. Helps carry waste products from cells. Helps control body temperature.	Water, beverages, soups, and most foods.

6-1 A well-balanced diet provides the body with the six types of nutrients it needs: proteins, fats, carbohydrates, vitamins, minerals, and water.

The Basic Four Food Groups

The RDA can be used to plan a well-balanced diet, but few people want to use this complex guide. Luckily, there is an easier way. The *Basic Four Food Groups* are a simple guide to proper nutrition. They can be used by just about anybody who is not on a special diet for medical reasons. Eating the recommended number of servings from each of the Basic Four Food Groups is an easy way to get all the necessary nutrients.

Foods of similar nutritive value are grouped together to form these Basic Four Food Groups:

1. Milk group.
2. Meat group.
3. Fruit and vegetable group.
4. Grain group.

Take a look at 6-2. It shows foods from all the Basic Four Food Groups in one tempting meal.

The milk group. Milk and milk products like cheese, yogurt, sour cream, ice cream, and sherbet are the foods in this group. These foods provide calcium, riboflavin, phosphorus, protein, and many other nutrients. If milk has been fortified, it is a major source of vitamin D.

Calcium is the most important nutrient found in milk and milk products. Everyone needs calcium for healthy bones and teeth. The number of daily servings a person needs from the milk group varies. Recommended amounts are given below:

Children under 9	2 to 3 servings.
Children 9 to 12	3 or more servings.
Teenagers	4 or more servings.
Adults	2 or more servings.
Pregnant women	3 or more servings.
Nursing mothers	4 or more servings.

Although these are the recommended numbers of servings, this does not mean that persons in each group must drink that exact amount of milk each day. Other dairy products can be substituted for milk to meet a person's calcium needs. The amounts of these foods needed to replace one serving of milk are based on calcium content. For example, it takes 2 cups (500 mL) of ice cream to supply the calcium content of 1 cup (250 mL) of milk. Other dairy product equivalents for calcium are given in 6-3.

The meat group. Beef, pork, veal, lamb, poultry, fish, seafood, and eggs are foods of the meat group. Dried beans, dried peas, cheese, and nuts are also placed in the meat group because they can be substituted for meats.

All of these foods have one important nutrient in common—protein. Protein is needed for the growth and repair of body tissues. In addition to protein, foods in the meat group also provide other important vitamins and minerals, including B-vitamins and iron.

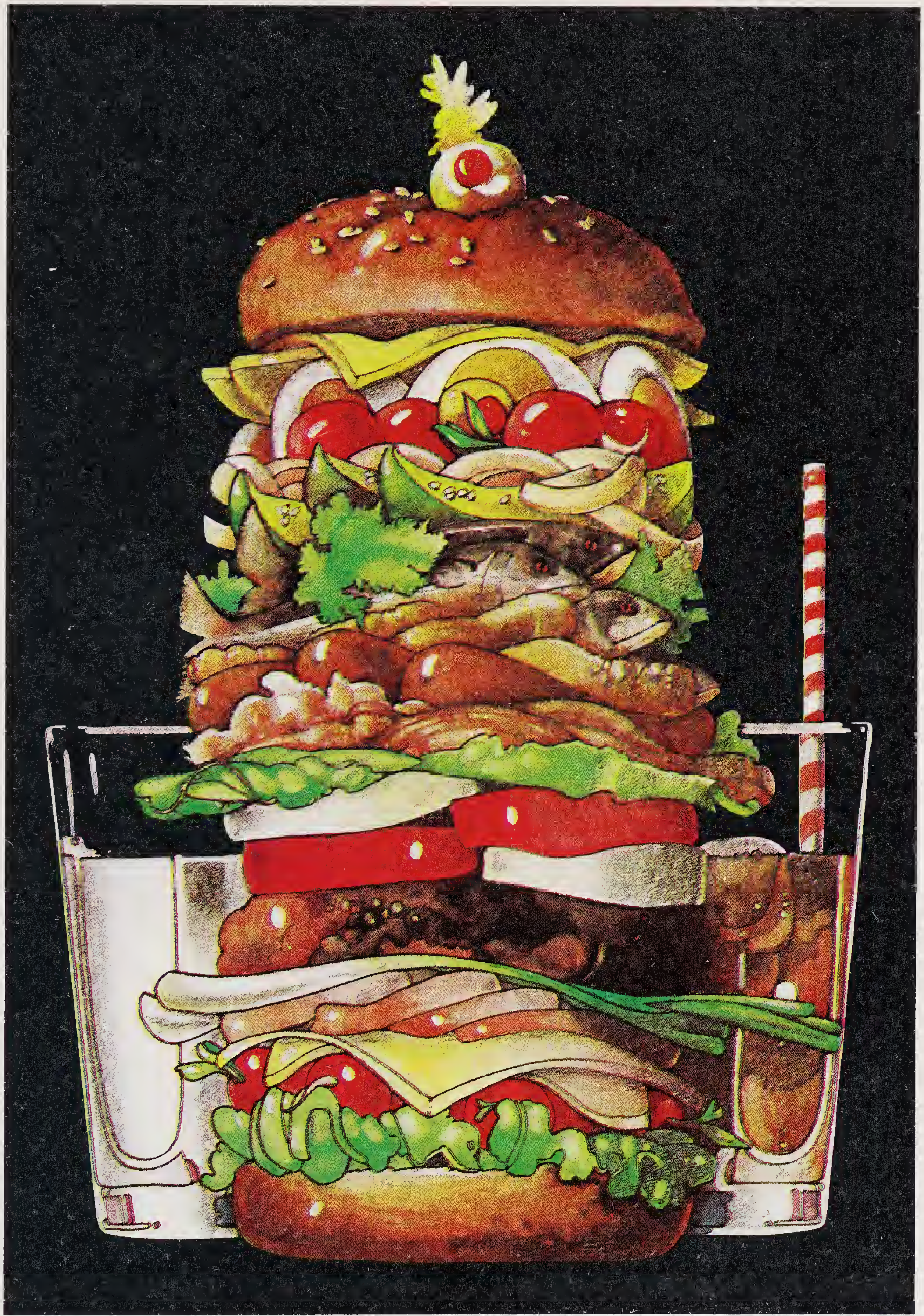
The body needs two or more servings from the meat group daily. One serving equals 2 to 3 ounces (60 to 85 g) of lean, boneless, cooked meat. Other typical servings for the meat group are listed in 6-4.

The fruit and vegetable group. Foods in this group are the major sources of vitamin A and vitamin C. They also provide other vitamins and minerals. Dark green and deep yellow vegetables and fruits such as spinach, carrots, sweet potatoes, and cantaloupe are good sources of vitamin A. The most common sources of vitamin C are citrus fruits: oranges, grapefruit, lemons, and limes. Tomatoes, broccoli, strawberries, green peppers, and Brussels sprouts are also good sources of vitamin C.

Four or more servings from the fruit and vegetable group are needed each day. At least one serving of a good vitamin C source should be included daily. And one serving of a good vitamin A source is necessary at least every other day. Typical serving sizes for fruits and vegetables are listed in 6-5.

The grain group. Whole grain and enriched breads, hot and cold cereals, crackers, pancakes, and pastas are among the many foods in the grain group. The chief nutrients in these foods are carbohydrates, B-vitamins, and iron. Carbohydrates are the body's main source of energy. The B-vitamins help the body obtain energy from foods. They also promote healthy skin and nerves. Iron is a mineral needed to make hemoglobin in blood. Hemoglobin is the substance that carries oxygen from the lungs to all the cells of the body.

Four or more servings are recommended from the grain group. Serving sizes for these foods are given in 6-6.



H.B. FULLER CO.

6-2 In this sandwich there are foods from each of the Basic Four Food Groups. Can you identify them?

MILK GROUP

vitamin D milk
YOGUR
MILK
Ice Cream

A typical serving is 1 cup (250 mL) of milk. Other dairy products may replace part of the milk required each day. Equivalent servings are figured on the basis of calcium content. To replace 1 cup (250 mL) of milk (whether whole or skim), it would take:

1 1/2 cups (375 mL) cottage cheese
2 inch (5 cm) cube Cheddar-type cheese
1 1/2 slices Swiss cheese
2 slices American processed cheese
1 cup (250 mL) plain yogurt
2 cups (500 mL) ice cream

6-3 Foods from the milk group are good sources of calcium, riboflavin, and protein.

MEAT GROUP

Count as one serving:
2 to 3 ounces (60 to 85 g) lean, boneless cooked meat, poultry, or fish
1 thick or two thin chops
1 piece of chicken
1 hamburger patty, 3 by 1/2 inch (8 by 1 cm)
2 eggs
1/3 cup (75 mL) canned tuna or salmon
1/2 cup (125 mL) nuts
1/4 cup (60 mL) peanut butter
1 cup (250 mL) cooked dried beans, peas, or lentils

6-4 Choose meats or meat substitutes to provide protein in your diet.

FRUIT-VEGETABLE GROUP

Canned Yams

Count as one serving:
1/2 cup (125 mL) fruit or vegetable
1 medium fruit (apple, orange, banana, etc.)
1/2 grapefruit
1 medium potato
1 bowl of tossed salad
1 wedge of lettuce
1/2 cup (125 mL) juice

6-5 Fruits and vegetables are major sources of vitamin A, vitamin C, and other important vitamins and minerals.

GRAIN (BREAD-CEREAL) GROUP

Count as one serving:
1 slice enriched or whole grain bread
1 enriched or whole grain roll, biscuit, or muffin
1 cup (250 mL) ready-to-eat cereal
1/2 to 3/4 cup (125 or 200 mL) cooked cereal, grits, rice, or pasta

6-6 Eat foods from the grain group to provide your body with carbohydrates, B-vitamins, and iron.

NATIONAL DAIRY COUNCIL

Other foods. Candy, salad dressings, butter, margarine, jellies, syrups, and soft drinks are some of the foods that do not fit into the Basic Four. They are made from fats, oils, sugars, and other food substances that provide energy but little else. These foods do, however, complement other foods and add flavor and variety to meals, 6-7. For example, most people prefer syrup with their pancakes and waffles and mustard and catsup with their hotdogs and hamburgers.

Since these foods are usually high in Calories (kilojoules), most people need to limit the amount of these foods they eat. There is no recommended number of servings for this group of foods. In fact, these foods are not essential to good health.

OTHER FOODS
Oil
DRESSING
Catsup
Orange Marmalade

NATIONAL DAIRY COUNCIL

6-7 Foods high in fats and sugars complement other foods and provide energy.

BEFORE YOU SHOP

Much of your success as a food shopper depends on what you do before you shop. To be a better shopper, you need to become aware of the factors that affect food prices. You need to establish a food budget to detemine how much you are willing and able to spend on food each week.

To be a better shopper, you also need to plan meals and snacks in advance and consider ways to use leftovers. Planning helps you know exactly what food items you want to buy. A well-planned shopping list will help you avoid aimless, costly, impulse spending at the grocery store.

Factors affecting food prices

In recent years, retail food prices have risen dramatically. As food prices continue to rise, the food dollar shrinks. Then you get less food for your dollars.

Why have food prices continued to rise? Basically, the food price story is a lesson in economics. It begins and ends with supply and demand. When supply is greater than demand, food prices fall. When demand is greater than supply, food prices rise. Rising prices tend to stimulate production and increase supply, thus lowering demand. Falling prices tend to suppress production and decrease supply, thus increasing demand. Prices tend to go up and down until a price equilibrium is reached. That occurs when supply and demand for a given product at a given price are in balance.

For example, let's take a look at beef prices. Suppose the supply of sirloin steak at $3.00 per pound is met by a demand for sirloin steak at $3.00 per pound. If the supply of steak at that price becomes greater than the demand, steak prices will fall. They will continue to fall until the low prices encourage more consumers to buy. Eventually, the increasing demand will meet the supply. If the demand increases so much that it becomes larger than the supply, steak prices will rise. They will continue to rise until the high prices encourage producers to increase the supply.

Eventually, the increasing supply will meet the demand.

Now let's examine some things that might affect supply and demand. Notice how these changes affect the price of sirloin.

Increased grain exports would reduce the supply of grain in the United States. This would increase the price for cattle producers. High grain prices would increase the price of feed and the cost of raising cattle. To cover increased grain costs, the price of sirloin would increase.

Drought in the cattle states would reduce feed supplies for cattle and increase feed prices. This would increase cattle producers' costs and reduce the supply of cattle. With increased production costs and limited supplies, the price of sirloin would rise.

A cattle producers' boycott occurs when cattle producers refuse to bring beef to market. This lowers the supply of sirloin and increases the price of existing supplies. The price would continue to stay high to cover the losses that occurred during the boycott.

A meat packers' strike would also reduce the supply of sirloin and increase its price. If the strike is settled by higher wages and more fringe benefits for employees, another price hike would occur to cover increased labor costs.

A consumer boycott of sirloin would decrease the demand of sirloin. As a result, the price of steak would decrease. But if demand continues to drop so that producers can't make a profit, supply will decrease too. Then, if and when the boycott ends, demand will be high and supply will be low. Prices will be very high until the supply can catch up with the demand.

A reduction in the price of poultry would also affect the price of sirloin. With lower poultry prices, a portion of the consumer demand for sirloin would shift to poultry. The lowered demand would cause the price of sirloin to fall.

Increased minimum wage would increase the cost of raising, butchering, and delivering sirloin to consumers. This would increase the price of sirloin to cover increased labor costs.

Increased personal income tax would reduce the amount of money consumers have to spend for food. The demand for sirloin would drop as would its price. Reducing the price of sirloin would bring the demand and supply of sirloin into balance.

Reduced personal income tax would increase the amount of money consumers have to spend for food. The demand for sirloin would increase and so would the price. Prices would remain higher until the supply of sirloin met the demand for sirloin.

The factors that affect the supply and demand of food vary. Weather conditions, transportation costs, labor costs, and a host of other things can affect a market economy. When you understand how prices respond to supply and demand, you are better able to anticipate changes in food prices. By reading newspapers and new magazines, you can identify changes in supply and demand. You will be able to determine what food prices will be affected in your food stores.

Establishing a food budget

Different individuals and families spend different amounts for food. How much you spend depends on your income, living expenses, food needs, and personal preferences. Generally, higher income families spend a smaller portion of their total income for food—around 15 to 20 percent. Low income families sometimes spend as much as 30 percent of their income for food.

When planning a food budget, consider your food needs, resources, and preferences. To determine a reasonable amount of money to allow for food costs, answer the following questions.

Who eats in your household? The amount of food you need depends on the number of family members and their ages and activities. For example, a family of four with two athletic teenage boys may eat twice as much as a family of four with two toddlers.

What special dietary needs must be met? Weight control, infant feeding, illness, pregnancy, and other health conditions influence food costs. Determine these special needs before making a food budget.

What personal tastes and preferences do you have that will affect your food choices? Eating habits, cultural or ethnic traditions, and food likes and dislikes should all be considered. Depending on where you live, special foods may be hard to find and more expensive to buy.

How much do you entertain and eat away from home? The type and amount of entertaining you do will affect the amount you spend for food. Eating away from home may cut grocery store bills, but it will probably increase food spending. Meals away from home almost always cost more than meals prepared at home.

Where do you normally shop? Food prices vary from store to store. As a rule, small neighborhood stores and convenience marts have a low volume of sales. Therefore, they charge higher prices than large supermarkets that have a high volume of sales. It pays to compare prices at several stores over a period of time. Then you can find out which stores offer the best values.

What are your shopping and food preparation skills? Experienced and skilled shoppers can get far more from a food dollar than uninformed, inexperienced shoppers. Consumers who have the time and skill to prepare foods at home can use these resources to save money, 6-8. Consumers with little time or skill to shop and prepare foods will probably spend more money feeding their families. These consumers are likely to use more *convenience foods.* (Convenience foods are foods which are partially prepared and therefore usually more expensive.)

Since food is a flexible expense, you can adjust the amount you spend on food according to the amount of money available. You can eat steak, go to your favorite restaurant, or throw a party when your pockets are full. You can stay home and eat casseroles when you need money for car repairs, medical bills, or other pressing expenses.

Before you go to the store, plan your food purchases, and then shop with a set amount of money in mind. It is wise to keep track of what you actually spend each week. If your spending exceeds your food budget without a good reason, you will need to make adjustments in your shopping choices.

Planning food purchases

Planning what to buy before shopping helps you get what you want and avoid costly impulse spending. Experienced shoppers can often plan meals mentally. Beginners usually need to sketch weekly menus and snack plans on paper. Both experienced and beginning shoppers will shop best with a written shopping list. Here are some tips for effective food planning.

- Check food pages and ads in local papers for specials and for menu ideas using foods that are on sale, 6-9.
- Write down meal, snack, and leftover plans for the week.
- Refer to cookbooks for ideas and ingredients needed for foods you plan to prepare during the week.
- Keep a running shopping list. Add items as you run short. Include foods you need to complete meal plans and add specials you want to buy.
- Gather coupons from newspapers and magazines and use them to save on products you intend to buy, 6-10.

All of this planning is designed to guide you purposefully through the store. It is not meant to be a straight jacket. When you come across good buys that are not on your list, don't be afraid to revise your plans on the spot. Substitute beef for pork if beef is cheaper this week. Buy pears instead of the apples you planned if the pears look better. Buy a new product you have been wanting to try if the price is right.

WHEN YOU SHOP

Knowing how to shop for food can help you stretch your food dollars. With a little knowledge, an alert shopper can buy two or three bags of groceries for the same amount an uninformed, careless shopper spends for one bag.

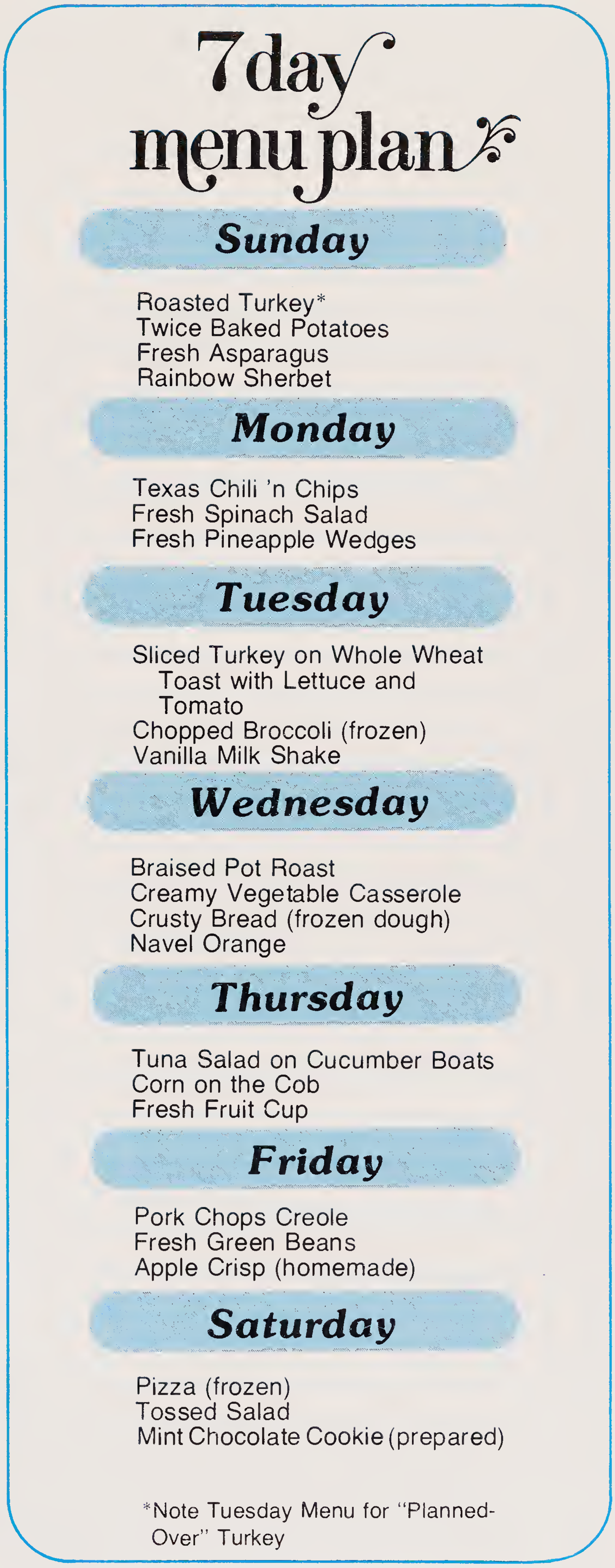
There are many sources of information that can help you shop for value and quality. Knowing how to use this information can help you make wise food choices while controlling spending.

The food store

Prices, selection, and quality of foods as well as customer services vary from store to

VITA MIX

6-8 A consumer who has the time and skill to prepare most foods from scratch may be able to feed a family less expensively.


7 day menu plan

Sunday

Roasted Turkey*
Twice Baked Potatoes
Fresh Asparagus
Rainbow Sherbet

Monday

Texas Chili 'n Chips
Fresh Spinach Salad
Fresh Pineapple Wedges

Tuesday

Sliced Turkey on Whole Wheat Toast with Lettuce and Tomato
Chopped Broccoli (frozen)
Vanilla Milk Shake

Wednesday

Braised Pot Roast
Creamy Vegetable Casserole
Crusty Bread (frozen dough)
Navel Orange

Thursday

Tuna Salad on Cucumber Boats
Corn on the Cob
Fresh Fruit Cup

Friday

Pork Chops Creole
Fresh Green Beans
Apple Crisp (homemade)

Saturday

Pizza (frozen)
Tossed Salad
Mint Chocolate Cookie (prepared)

*Note Tuesday Menu for "Planned-Over" Turkey

JEWEL FOOD STORES

6-9 Newspapers and supermarkets often publish helpful menu ideas.

store. Finding the right grocery store may take a little comparison shopping. Chart 6-11 can help you compare and choose the places you want to shop for food.

After shopping in a number of food stores, differences in quality and selection may become obvious to you. You may realize that one store carries better quality meats than another store. But that other store may have a better selection of fresh fruits and vegetables. Therefore, you may decide to shop at certain stores for certain items. In some regions, farmers' markets and seasonal roadside stands are popular, 6-12. Shopping around and reading food ads can help you choose the best places to shop.

Generally speaking, the fewer times you shop, the less money you spend. Going into a food store to buy one or two items may tempt you to buy many more. To save both time and money, try to limit your food shopping trips to once a week. If you can plan your weekly shopping trip for a time when you can go alone and when you are not hungry, you will probably save even more money.

For routine food buying, it is usually best to shop in the same one or two stores most of the time. This will help you get to know the store and stock well enough to find what you want quickly. You will be able to compare prices of items from week to week. And the employees of the store will get to know you as a regular customer. They will then be more likely to make a special effort to keep you a satisfied customer.

When shopping, don't be afraid to ask for

Remodeling
-bration
Niblets
shopmor
GREEN BEANS

TUPPERWARE® HOME PARTIES

6-10 Coupons can be money savers if you buy foods you will really use.

what you want and to return what isn't satisfactory. For example, if a meat cut you want isn't in the meat case, ask if it could be cut for you. If fresh tomatoes are packaged in groups of six and you only need one or two, ask to have the package opened. If you arrive home from the grocery store with spoiled milk or moldy bread, take it back and have it exchanged. Supermarkets want your business. If you are honest and fair with them, they will be honest and fair with you.

As you shop for food, remember to show consideration for the food store and other

CHOOSING WHERE TO SHOP FOR GROCERIES

1. Do regular food prices and specials compare favorably with the prices and specials at other food stores?
2. Are fresh foods such as dairy products, meats, fish, poultry, produce, bakery products, and deli foods delivered or prepared daily? Do they appear fresh, clean, and wholesome?
3. Is the frozen food section kept well below freezing?
4. Does the selection of foods and groceries suit your needs and preferences?
5. Is it easy to find the foods that you want? Are staples usually in stock?
6. Does the food store contain stores within the store such as a delicatessen, bakery, pharmacy, newsstand, or film-processing center? Does this make shopping more convenient for you?
7. Are the store employees generally helpful, knowledgeable, and pleasant?
8. Does the store offer the services you want such as check cashing, coupon exchanges, unit pricing, open dating of perishables, and express checkout?
9. Does the store follow fair policies? For example, does it give rain checks for specials that run out or make replacements or refunds for purchases that are not satisfactory?
10. Is the store clean, attractive, and well-maintained?
11. Is the store in a convenient location for you? Is it open during the hours you want to shop?
12. Is the overall atmosphere of the store acceptable to you?

6-11 This questionnaire can help you choose a reliable store to shop for groceries.

EVANSTON CHAMBER OF COMMERCE

6-12 Farmers' markets usually sell fresh fruits and vegetables at low prices.

shoppers. You'll be a welcomed customer when you follow the guidelines of "Supermarket Etiquette" in 6-13.

Universal product code

You have probably noticed a series of black and white lines, bars, and numbers that appear on grocery items. This symbol is called the *universal product code* or *UPC*. The UPC is a part of a computer checkout system used in some supermarkets, 6-14. It is designed to save food stores time and labor. It is also designed to shorten checkout lines and reduce grocery prices for consumers.

SUPERMARKET ETIQUETTE

1. Be careful. Push cart with care. If you accidentally bump your cart into someone, apologize sincerely.
2. Be gentle. Avoid unnecessary handling of fresh fruits and vegetables.
3. Be neat. If you knock something off a shelf, pick it up and put it back. If you accidentally break something, call a clerk so he or she can clean it up.
4. Be orderly. If you change your mind about buying something, return the item to its proper shelf.
5. Be organized. Complete all your shopping before entering the checkout line.
6. Be smart. Learn the rules of the "express line." Usually, it's the number of items, not the number of pieces that count. In most stores six loaves of bread and eight cans of soup are two items.
7. Be cooperative. Place merchandise on the counter so the cashier can see prices. Keep "two for" items together.
8. Be ethical. Don't ask the store to redeem "cents off" coupons for items you have not purchased.
9. Be businesslike. Have your money ready, so you don't delay the checkout line.
10. Be kind. If you take a cart to your car in the parking lot, wheel it back to the area designated for empty carts. Never take a cart off the store premises.

THE SPERRY & HUTCHINSON CO.

6-13 Being pleasant, attentive, cooperative, and organized can make food shopping a more enjoyable task.

In stores that are equipped to use the UPC, the checkout clerk passes each item over a computer scanner. From the UPC symbol, the computer identifies the name and size of the item and records the information in a computer terminal. Then the computer transmits the price of the item to the electronic cash register. The price and description of the item is printed on the customer's receipt.

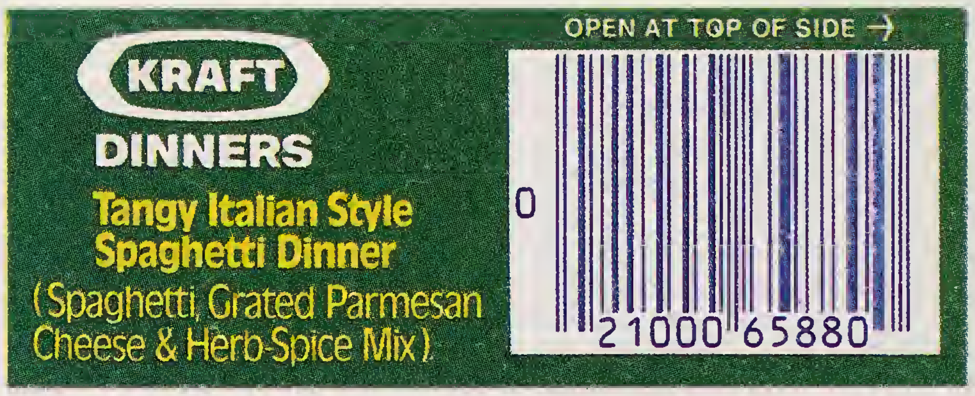
How does the UPC affect food shopping? It makes checkout faster. It reduces the chance of errors by checkout clerks. And it helps stores keep more accurate inventories so that they are less likely to run out of items.

This computer checkout system can also eliminate the need to mark the price on every item. Instead, prices need to appear only on the shelves where items are displayed. This reduces labor costs. By making food stores more efficient, the UPC should help to hold down food prices.

Generic products

Food shopping requires consumers to make many choices. Deciding which product brand to buy is one of them. Should you buy nationally advertised brands or less expensive store brands? Or should you choose generic products—the "plain label brands"?

Generic products are the products packaged in plain white containers without brand names. Their labels list only the name of the product, the ingredients, the net weight or contents, and the name and address of the manufacturer or packer.


OPEN AT TOP OF SIDE →
KRAFT
DINNERS
Tangy Italian Style Spaghetti Dinner
(Spaghetti, Grated Parmesan Cheese & Herb-Spice Mix)
0
21000 65880

6-14 Some supermarkets use UPC symbols to check out grocery items by computer.

These products cost less than national and store brand products because less money is spent on packaging and advertising. However, generic products may be of lower quality. For example, generic paper products may be lighter in weight and less absorbent than brand name paper products. Generic foods are just as wholesome and nutritious as brand name foods, but they may be irregular in appearance. Canned fruits, for instance, may have uneven sizes and shapes.

It's up to you to compare products and think about how you are going to use them. If you like the taste of generic green beans but not their appearance, you may decide to use them in a casserole where appearance is less important. When serving plain green beans, you may decide to use a national or store brand.

Food labels

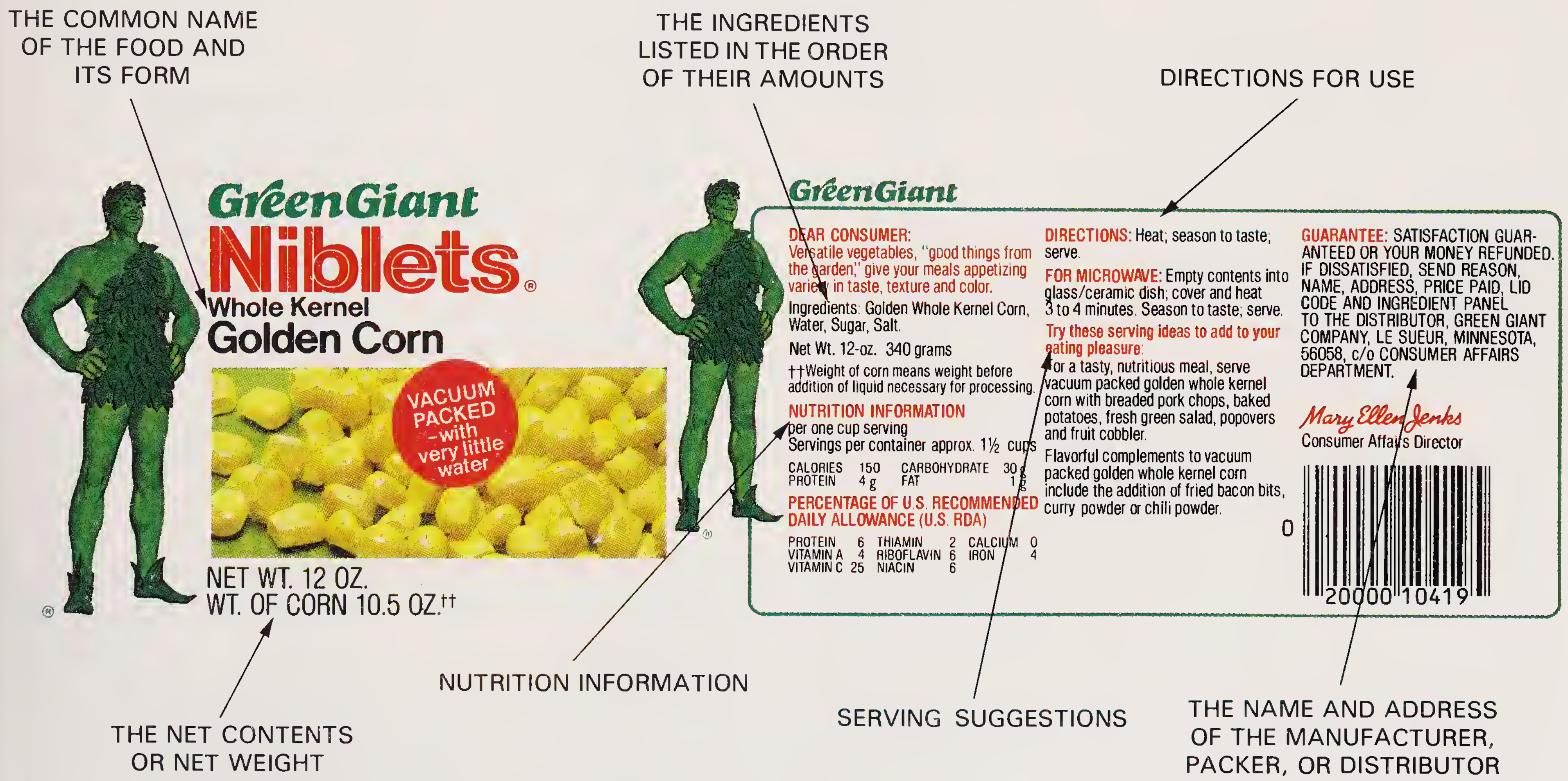
Labels on food products tell you exactly what you are buying. See 6-15. Some information on food labels is required by the government. Other information, such as cooking directions and recipe ideas, is given voluntarily by food manufacturers to help consumers use the product.

This is the information that must appear on every food label:

1. The common name of the food and its form (whole, chopped, diced, etc.).
2. The net contents or net weight.
3. The name and address of the manufacturer, packer, or distributor.

On most labels, a list of the ingredients must be included in the order of their amounts. However, some food products are made according to a "standard of identity" set by the FDA. These foods contain ingredients in preset amounts. They have standard names such as ice cream, catsup, and orange juice. *Standardized foods* do not have to carry a list of ingredients.

Some food labels must also provide nutrition information. Foods that are fortified or enriched with nutrients and foods that make nutritional claims, such as "low in calories," must have nutrition information panels on their labels. A *nutrition information panel* gives a simple list of the nutrient values found in one serving of the food.


THE COMMON NAME OF THE FOOD AND ITS FORM
THE INGREDIENTS LISTED IN THE ORDER OF THEIR AMOUNTS
DIRECTIONS FOR USE
GreenGiant
Niblets®
Whole Kernel
Golden Corn
VACUUM PACKED -with very little water
NET WT. 12 OZ.
WT. OF CORN 10.5 OZ.††
GreenGiant
THE NET CONTENTS OR NET WEIGHT
NUTRITION INFORMATION
SERVING SUGGESTIONS
THE NAME AND ADDRESS OF THE MANUFACTURER, PACKER, OR DISTRIBUTOR

DEAR CONSUMER: Versatile vegetables, "good things from the garden," give your meals appetizing variety in taste, texture and color.

Ingredients: Golden Whole Kernel Corn, Water, Sugar, Salt.

Net Wt. 12-oz. 340 grams

††Weight of corn means weight before addition of liquid necessary for processing.

NUTRITION INFORMATION
per one cup serving
Servings per container approx. 1½ cups

CALORIES	150	CARBOHYDRATE	30 g
PROTEIN	4 g	FAT	1 g

PERCENTAGE OF U.S. RECOMMENDED DAILY ALLOWANCE (U.S. RDA)

PROTEIN	6	THIAMIN	2	CALCIUM	0
VITAMIN A	4	RIBOFLAVIN	6	IRON	4
VITAMIN C	25	NIACIN	6		

DIRECTIONS: Heat; season to taste; serve.

FOR MICROWAVE: Empty contents into glass/ceramic dish; cover and heat 3 to 4 minutes. Season to taste; serve.

Try these serving ideas to add to your eating pleasure:

For a tasty, nutritious meal, serve vacuum packed golden whole kernel corn with breaded pork chops, baked potatoes, fresh green salad, popovers and fruit cobbler.

Flavorful complements to vacuum packed golden whole kernel corn include the addition of fried bacon bits, curry powder or chili powder.

GUARANTEE: SATISFACTION GUARANTEED OR YOUR MONEY REFUNDED. IF DISSATISFIED, SEND REASON, NAME, ADDRESS, PRICE PAID, LID CODE AND INGREDIENT PANEL TO THE DISTRIBUTOR, GREEN GIANT COMPANY, LE SUEUR, MINNESOTA, 56058, c/o CONSUMER AFFAIRS DEPARTMENT.

Mary Ellen Jenks
Consumer Affairs Director

0 20000 10419

6-15 Labels on food products give consumers valuable information.

When nutrition information is listed on food labels, it must include certain information in a certain order. The nutrition panel must list:

1. Serving size.
2. Servings per container.
3. Calories per serving.
4. Protein content in grams.
5. Carbohydrate content in grams.
6. Fat content in grams.
7. Percentages of the U.S. RDA of protein, vitamin A, vitamin C, thiamin, riboflavin, niacin, calcium, and iron per serving.

Amounts of other vitamins and minerals, cholesterol, and sodium may also be listed by the food manufacturer.

Unit pricing

Unit pricing helps consumers compare like items to determine the best buy. The unit price of a product is based on the cost per unit, weight, or measure. A product's unit price is usually listed on a shelf label where the product is displayed.

With unit pricing, food prices can be compared at a glance. Illustration 6-16 shows a comparison of different sizes of grape jelly. The unit prices tell you that 1 pound (.45 kg) of grape jelly packaged in a small jar costs 65.3¢, while the same amount of jelly from a larger jar costs 42.5¢. It is easy to see that the larger size of jelly is the best buy.

To make use of unit pricing when shopping, remember to:

- Compare the price per unit of a product to different brands and sizes of the same product.
- Compare the price per unit of different forms of a product. For example, compare the price of canned corn to frozen corn.
- Compare the price per unit of a product to different brands and sizes of similar products. For example, compare the price of canned peaches, pears, and pineapple to find the best canned fruit buy.
- Consider personal preferences for quality, flavor, convenience, and container size as well as for price.
- Determine how much more you pay when you choose not to buy the item with the lowest unit price. For example, suppose you buy a 16 ounce (448 g) can of your favorite sliced peaches at 4.6¢ per ounce (28 g) when another brand is selling at 4.2¢ per ounce (28 g). Your preference is costing you 6.4 cents.

Open dating

Open dating helps you select fresh and wholesome foods. Dates on foods can also tell you when the foods should be used for best quality, flavor, and nutritive value. Many food manufacturers date perishable and semiperishable foods such as dairy products, bakery goods, and canned and packaged foods.

The dates on food items most often refer to the pull or sell date. The *pull date* is the last day a product should be sold. This date allows some time for safe home use and storage. For example, if a milk carton is dated Jan. 15, you should be able to keep it refrigerated at home a few days beyond January 15. Dairy products and cold cuts are usually stamped with pull dates.

Products may carry other dates. A *freshness date* is the last day you can expect a product to be of peak quality. This date usually appears on bakery products such as breads, rolls, doughnuts, and cakes. Sometimes these foods are sold at reduced prices after they pass their freshness date. Foods are safe to eat for a few days beyond their freshness date, but they will not be at their peak of quality.

Other food items may be stamped with an expiration date or a pack date. An *expiration date* refers to the last day a product should be used. Baby formula and yeast are products with expiration dates. The *pack date* is the day that the product was processed or packaged. Canned foods are usually marked with a pack date.

When you are not sure what the date on a food package means, don't hesitate to ask a few questions. Food store employees should be able to give you the information. To benefit from open dating:

- Look for the date on food products and determine if it is the pull, freshness, expiration, or pack date.
- Only buy products that you can use before the expiration date or within a few days of the pull or freshness date.
- Notify store management when you find items on the shelves after their pull date.
- Store dated foods properly at home and use them within a reasonable time.

Government inspection and grading

The United States Department of Agriculture (USDA) regulates the inspection and grading of the foods you buy. *Inspection stamps* on foods tell you that the foods are wholesome and safe to eat. This means that the foods have been processed and packaged under sanitary conditions. *Food grades* help you judge the quality of foods.

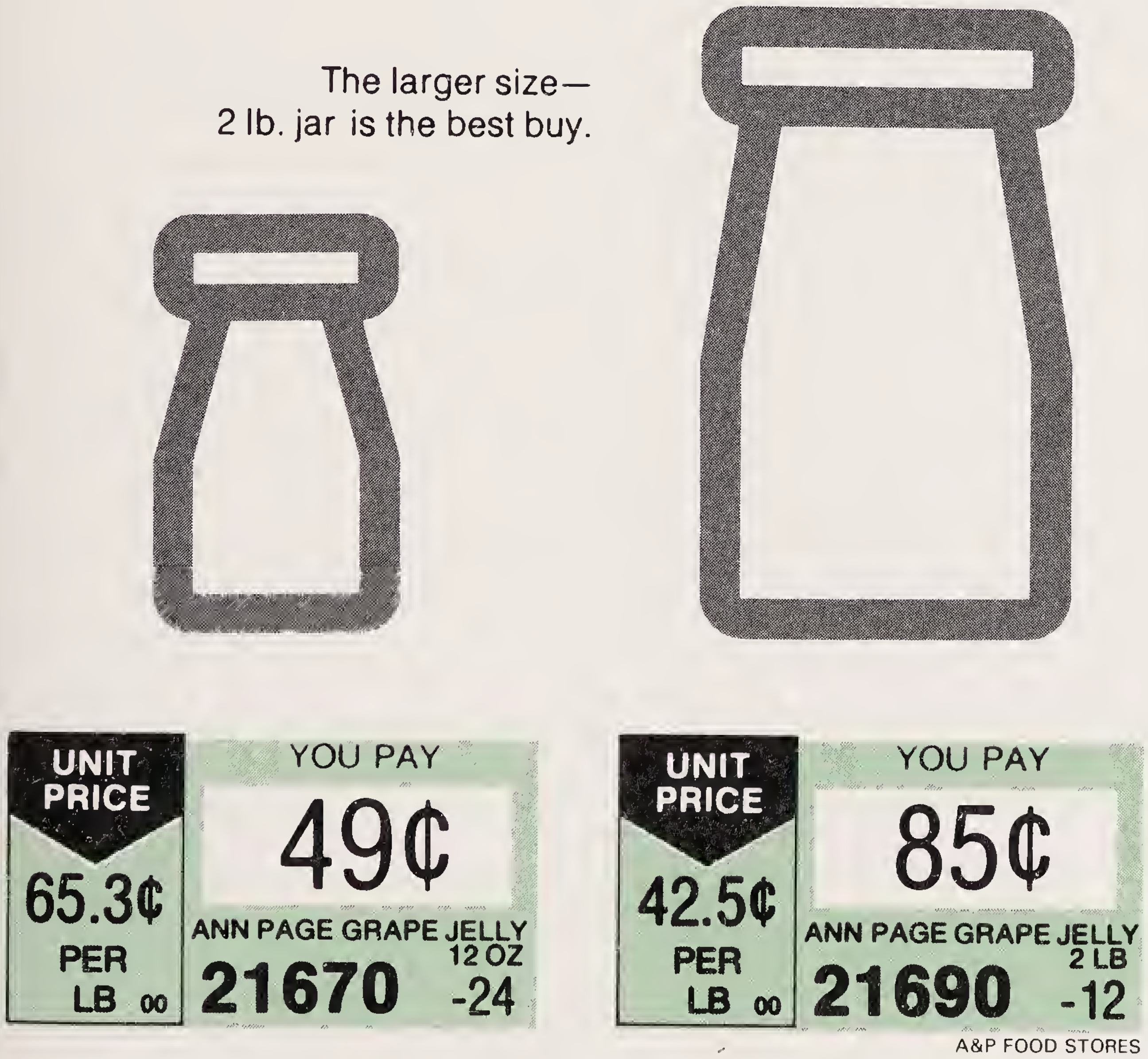
Although most government inspection programs and all grading programs are voluntary, many food manufacturers and packers have their foods inspected and graded. Certain foods such as meat and poultry must be federally inspected before they can be sold and shipped across state lines.

Foods that have not been inspected or graded may be just as fresh and wholesome as the foods that have been government approved and graded. However, inspection and grade markings guarantee the safety and quality of food.

Buying dairy foods

Because of their high nutritional value, dairy products are among the best food buys. In addition to being an excellent source of calcium, dairy products are also good sources of other nutrients, including protein. Therefore, they can be substituted for more expensive protein foods in meals and snacks. Being aware of the many different kinds of dairy foods can help you select the products you need.

Most milk and milk products are *pasteurized* and *homogenized.* During pasteurization,


The larger size—
2 lb. jar is the best buy.

6-16 Unit pricing lets you compare the price per unit of different sizes of the same item.

milk is heated to a specific temperature to destroy any harmful bacteria. Milk is homogenized to break up the fat particles and distribute them evenly throughout milk. When milk is not homogenized, fat particles rise to the surface and form cream.

Milk and milk products are available in many forms: fresh, canned, dried, and cultured. Chart 6-17 describes these forms of milk as they are sold in food stores. It also gives the number of Calories (kilojoules) found in one cup (250 mL) of each product.

When shopping for milk products, compare prices of different forms of milk. Generally, the higher the fat content is in a milk product, the higher the cost will be. Fresh low-fat and skim milks cost less than fresh whole milk. Evaporated milk and dry milk cost less than fresh milks. And chocolate milk, buttermilk, sweetened condensed milk, and yogurt cost more because they require special processing.

Cream, ice cream, ice milk, and sherbet are also milk products. Cream is the fat of milk. Ice cream, ice milk, and sherbet are frozen mixtures that contain milk fat. Like milk, creams and frozen milk mixtures with higher fat contents are most expensive and contain more Calories (kilojoules).

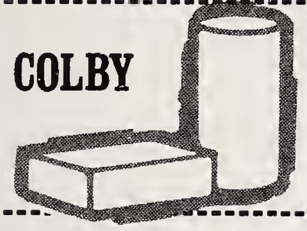
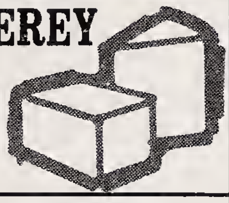
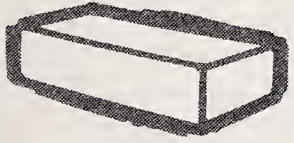
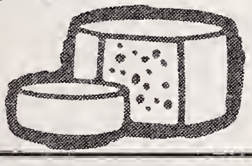
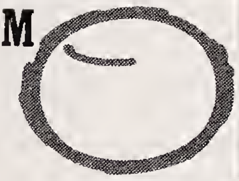
Cheese is a dairy food that is made from a concentrated form of milk or cream, 6-18. Hundreds of cheese varieties can be made by

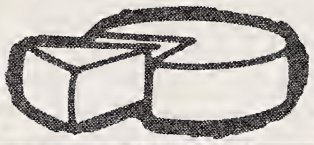
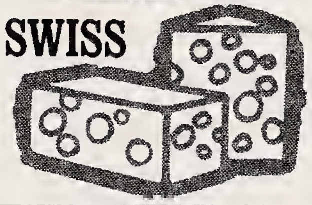
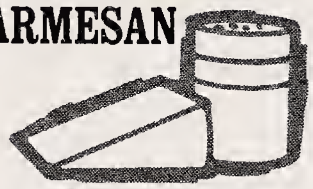
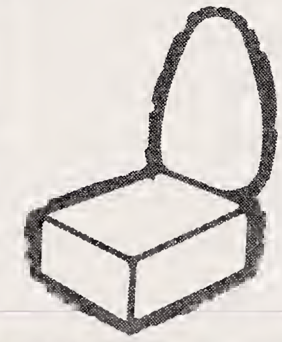
MILK AND MILK PRODUCTS

FRESH MILKS	**Whole milk**	Contains at least 3.25 percent milk fat. Has about 150 Calories (36 kJ) per one cup (250 mL).
	Low-fat milk	Contains 0.5 to 2 percent milk fat. Has about 120 Calories (29 kJ) per one cup (250 mL).
	Skim milk	Contains less than 0.5 percent milk fat. Has about 85 Calories (20 kJ) per one cup (250 mL).
	Chocolate milk	Made by adding chocolate flavoring to whole milk. Has about 210 Calories (50 kJ) per one cup (250 mL).
	Chocolate drink	Made by adding chocolate flavoring to skim milk. Has about 160 Calories (38 kJ) per one cup (250 mL).
CANNED MILKS	**Evaporated milk**	Whole milk with about 50 percent of the water removed. Has about 340 Calories (81 kJ) per one cup (250 mL).
	Sweetened condensed milk	Evaporated milk with sugar added. Has about 980 Calories (234 kJ) per one cup (250 mL).
DRIED MILKS	**Nonfat dry milk**	A dry product made by removing the fat and water from whole milk. When reconstituted, it is about 85 Calories (20 kJ) per one cup (250 mL).
	Dry whole milk	A dry product made by removing the water from whole milk. When reconstituted, it has about 150 Calories (36 kJ) per one cup (250 mL).
CULTURED MILKS	**Buttermilk**	Made by adding special bacteria to skim or low-fat milk. This thick-textured, sour-tasting milk has about 100 Calories (24 kJ) per one cup (250 mL).
	Yogurt	Made by adding a bacterial culture to whole or low-fat milk. Sometimes fruit and other flavorings are added to this thick, creamy milk product. It has about 145 Calories (35 kJ) per one cup (250 mL).

6-17 Dairy products must meet certain specifications.

A Cheese Shopper's Guide

VARIETY	CHARACTERISTICS	USAGE
CHEDDAR	White to orange interior. Semi-hard. Mild to sharp flavor. Many varied colors and coatings on exterior.	Great favorite on appetizer trays. With crackers; on pie; in sandwiches; in salads; in cooked dishes.
COLBY 	Light cream to yellow interior. Mild to mellow flavor. Firm, soft texture.	Flavorful mild sandwich cheeses. As appetizers; in cooked foods and salads.
MONTEREY JACK 	White to light cream interior. Mild to mellow flavor. Firm, soft texture.	
BLUE	Gourmet cheeses for average budget. Tangy piquant flavor. Blue veined with crumbly semi-soft texture.	In salads and salad dressings; in dips; on tray assortments; with fruit; for dessert.
BRICK 	Creamy-yellow interior. Mild to sharp flavor. Semi-soft.	"The Nibbling cheeses." Great in a sandwich (especially on dark bread); on appetizer trays; with crackers; for dessert.
MUENSTER 	Light yellow interior. Mild. Usually orange exterior. Semi-soft.	
EDAM 	Red wax coated. Mild nut-like flavor. Semi-soft creamy-yellow interiors.	Favorites for all ages. Colorful basis for cheese trays; in salads; in cooked dishes; in sandwiches.
GOUDA		
LIMBURGER	Pungent full flavor. Aromatic. Soft textured creamy-white interior. Brownish exterior.	Wonderful on rye and pumpernickle; with snack items.

VARIETY	CHARACTERISTICS	USAGE
PORT DU SALUT 	Full rich flavor. Creamy texture. Brownish exterior, creamy-yellow interior. Robust flavor.	Epicurean's delight. Serve with raw fruit; as dessert; on crackers; on cheese tray.
RICOTTA	White, soft, moist and grainy in texture. Bland but semi-sweet flavor.	In salads and dips. In cooking — especially Italian dishes such as lasagne, manicotti, ravioli. In desserts — cheese cake, cannoli.
SWISS 	The "large eye" cheese. Light-yellow color. Mild nut-like flavor. Firm.	A "must" sliced thin with cold meats. In salads, fondue, cooked dishes, sandwiches.
PARMESAN 	Creamy-white interior. Very hard. Granular texture. Mild, nutty flavor. Grated for use.	Serve grated in lasagna, spaghetti, pizza, in or on breads. Sprinkle on soups and salads.
ROMANO	Yellowish-white interior. Sharp, full flavor. Very hard. Granular texture. Grated for use.	
PROVOLONE	Mellow to sharp, with smoky tang. Light creamy interior. Firm; smooth and somewhat plastic.	Favorite snack cheese. An appetizer; in cooked dishes; for dessert.
MOZZARELLA 	Delicate, creamy-white interior. Mild, slightly firm, but elastic texture. When heated, becomes stringy or stretchy.	In pizza and lasagna; in grilled sandwiches and cheeseburgers; in cooked dishes (meat loaf, casseroles).
PROCESS	A pasteurized blend of natural cheeses, uniform in flavor. Melts easily and quickly. Many varieties produced.	Versatile favorite. In sandwiches—grilled or not. In casseroles; on trays (try with cold cuts); in salads.
CLUB OR COLD PACK	A blend of natural cheeses — may be flavored. Not pasteurized. Spreads and melts easily. Comes in various containers.	Always ready for the appetizer tray. With celery; on crackers.

AMERICAN DAIRY ASSN. OF WISCONSIN

6-18 There are a number of cheese varieties that can be used in many different ways.

using different kinds of milk and different processing steps. Nutrients, color, texture, aroma, flavor, and cost vary with each cheese variety.

The more work, time, and special ingredients it takes to prepare a cheese, the more expensive it will be. Ripened cheese (cheese stored at a specific temperature to develop texture and flavor) is generally more expensive than unripened cheese. Cheeses with added ingredients cost more than plain cheeses. When buying cheese, compare the prices of various forms. Cheese that has been sliced, cubed, shredded, or grated for convenience usually costs more than the same weight of cheese sold in a solid piece.

Butter is another dairy product. It is made from the fat or cream of milk. The cost of butter is influenced by how it is packaged. Butter packaged in "sticks" or small amounts costs more than bulk butter. Whipped butter, butter that has been whipped, also costs more than regular butter.

Although margarine is not a dairy product, it is a substitute for butter. *Margarine* is made from vegetable oils, animal fats, or a combination of both. The type of oil or fat used to make the margarine helps determine its market price. Pure vegetable oil margarines generally cost the most. Whipped margarine packaged in tubs usually costs more than regular margarine packaged in quarters or "sticks."

When selecting butter or margarine, consider price, dietary needs, and taste preferences. If you prefer the taste of butter to margarine, you may want to pay a few cents more for the product you like.

When choosing any dairy product, always consider how you are going to use it. For example, suppose you need milk to drink with your meals. You would probably choose to use fresh milk because of its fresh taste and convenience. However, if you need milk to make a cake or casserole, you might choose to use reconstituted dry milk or diluted evaporated milk. These two forms of milk cost less than fresh milk and produce the same results in cooking and baking.

Buying eggs

Since eggs are a high protein food, they can be served as an inexpensive substitute for meat. The price of eggs depends on their grade and size. Higher grades and larger sizes are more expensive.

Most eggs in the supermarket have been government graded for quality. Egg grades are based on the appearance of the egg yolk, white, and shell. The three grades of eggs are: U.S. Grade AA, U.S. Grade A, and U.S. Grade B.

Many stores sell only Grade A or AA eggs. Grade AA eggs are of the highest quality and are ideal for all purposes. These eggs are best to use for frying and poaching since they have a good appearance. Grade A eggs can be used for all purposes, but they don't look quite as good as Grade AA eggs. Grade B eggs have the same nutritional value as Grade AA and A eggs, but they have thinner whites and yolks. They are used for baking and cooking where the appearance of the egg is not important. Grade B eggs are rarely seen in supermarkets because they are sold to bakeries and food service operations.

Eggs are sized according to their weight per dozen. For example, one dozen large eggs weigh at least 24 ounces (680 g). One dozen medium eggs weigh at least 21 ounces (595 g). Extra large, large, and medium are the egg sizes most commonly sold in food stores. Most recipes are based on medium or large size eggs.

When shopping, select eggs with clean, uncracked shells. Cracked shells are an open invitation to bacteria. Do not be influenced by the color of the shell. Shell color has nothing to do with the quality, nutritive value, or flavor of eggs. Shell color just indicates the breed of the laying hen.

Buying meat

About one-third of most American food dollars are spent on protein foods, especially meats. Beef, veal, pork, and lamb are the most common meats. They are available in many different cuts. The cost of a meat cut depends on its tenderness, size, shape, and amount of fat and bone. Becoming familiar with the various cuts of meat can help you shop for meats and prepare them correctly. The retail cuts of beef, veal, pork, and lamb are shown in 6-19 through 6-22, along with general cooking suggestions.

The amount of meat you need to buy depends on the cut and the number of people you plan to serve. Between 2 and 3 ounces (60 to 85 grams) of cooked lean meat is considered one serving. Meat cuts with no bones and little fat yield more servings than meat cuts with a lot of bones and fat.

As a rule, 1 pound (.45 kg) of boneless, lean meat yields three to four servings. One pound (.45 kg) of boneless, fat meat provides two to three servings. One pound (.45 kg) of meat with a small bone gives about two servings. And 1 pound (.45 kg) of meat with many bones yields about one and a half servings.

When shopping for meats:

Look for meat that has been state or federally inspected and graded. Meat stamped "U.S. Inspected and Passed" lets you know it has been inspected for wholesomeness and safety. Meat grades indicate the quality of the meat cut—its juiciness and tenderness. Prime, Choice, and Good are the grades that are usually found in retail stores for beef, veal, and lamb. Pork is not graded because it is considered tender.

Select meat that is firm, moist, fine grained, and well marbled. Marbling refers to the small flecks of fat throughout the lean which help make meat tender. Veal, however, has little fat and little marbling.

High quality beef will be bright red in color. Veal will be light pink. Pork will be grayish-pink. Lamb will be pinkish-red.

Compare different meat cuts and prices. Although one pound (.45 kg) of meat with bones may cost less than a pound (.45 kg) of boneless meat, it will not yield the same number of servings. That's why it is important to compare meat prices on the basis of cost per serving, not the cost per pound. You can also save money by buying large cuts of meat and cutting them into smaller cuts yourself.

Consider variety meats such as liver, kidney, heart, and tongue. They are highly nutritious and are usually lower priced than other meats.

Compare the quality and taste of canned and refrigerated processed meats. Processed ham, bacon, corned beef, sausage, and luncheon meats may vary in quality because of the processing method or the ingredients used. Compare ingredients and experiment to determine which processed meat brands you prefer.

Buying poultry

Chicken, turkey, duck, goose, and Rock Cornish hens are common types of poultry. All poultry sold in interstate commerce is federally inspected and marked for wholesomeness. Poultry may also be given a grade—U.S. Grade A, B, or C—for quality. The more meat a bird has and the cleaner the bird is from pinfeathers and skin defects, the higher its grade will be.

The age of a bird, not its grade, determines how tender it will be. Young birds are more tender than mature birds. Young chickens are labeled broiler, fryer, capon, roaster, or Rock Cornish hens. Young turkeys and ducks are labeled "young."

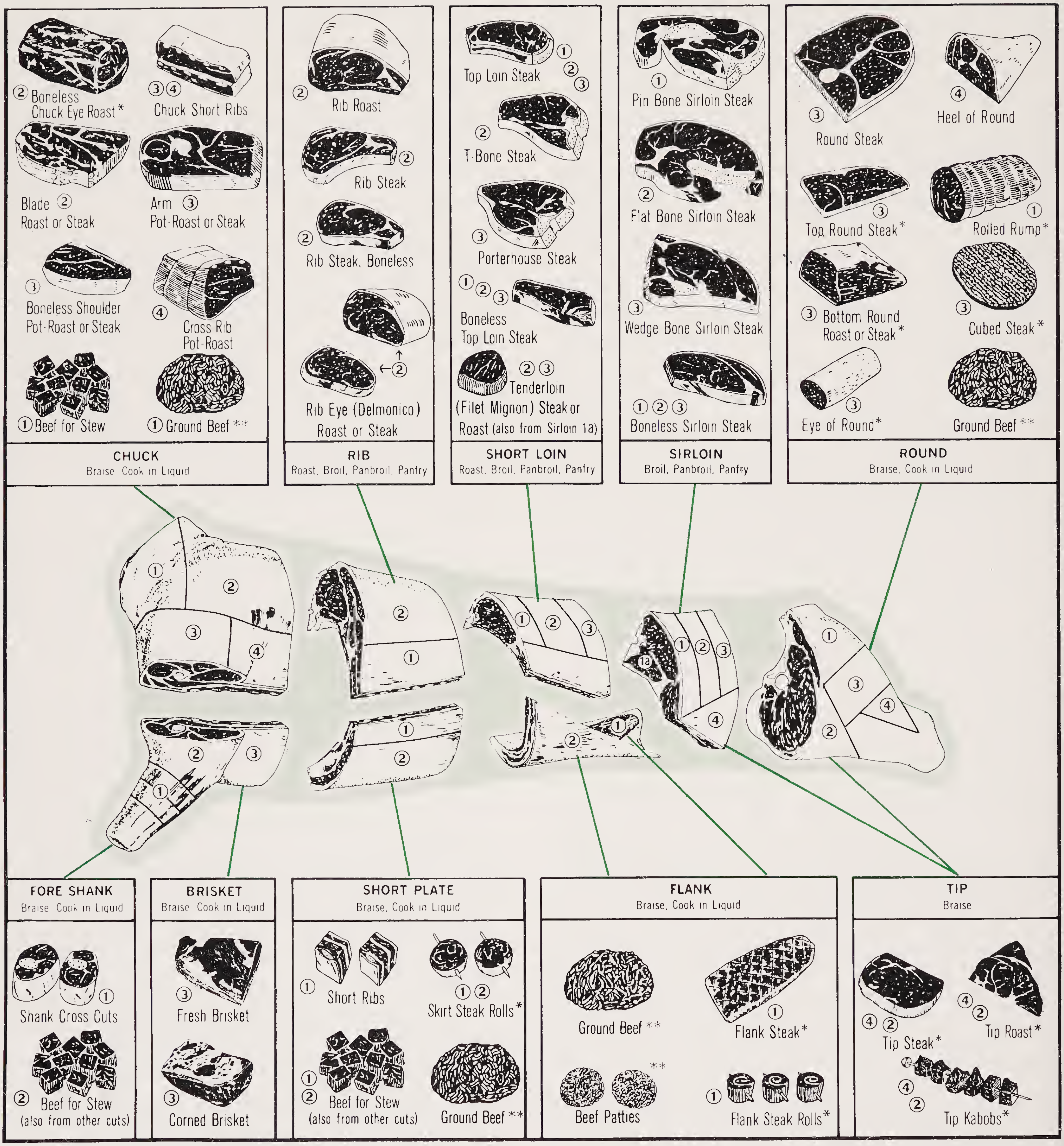
Since mature birds are less tender, they cook best when stewed, steamed, or pressure-cooked. Mature chickens are labeled hen, fowl, and stewing chicken. Other mature poultry are labeled "mature" or "old."

Almost all poultry on the market has been cleaned and readied for cooking. When shopping for poultry, buy birds that have been inspected and graded. Choose clean, moist, plump birds with meaty breasts, legs, and thighs. Remember to select young, tender birds for frying, roasting, and broiling and mature birds for steaming and stewing.

Since poultry has more bone in proportion to muscle than beef, pork, veal, and lamb, a large amount of poultry is needed to provide a 3-ounce (85 g) serving. Therefore, about 1 pound (.45 kg) of chicken or turkey is needed for one serving. For duck, buy 1 1/2 pounds (.68 kg) for each serving. For goose, buy 1 to 1 1/1 pounds (.45 to .68 kg) per serving.

BEEF CHART

RETAIL CUTS OF BEEF — WHERE THEY COME FROM AND HOW TO COOK THEM

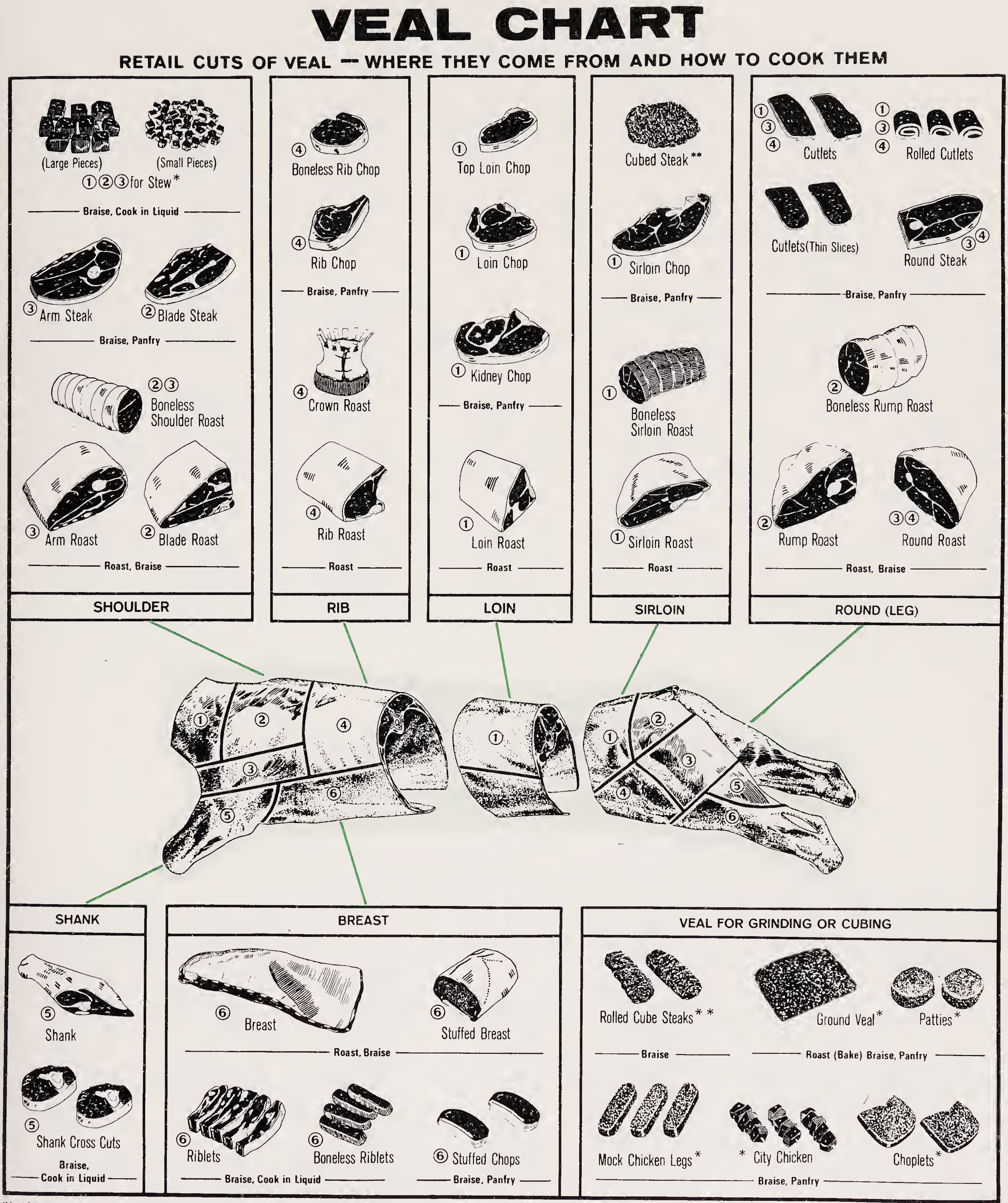

② Boneless Chuck Eye Roast*
③④ Chuck Short Ribs
Blade ② Roast or Steak
Arm ③ Pot-Roast or Steak
③ Boneless Shoulder Pot-Roast or Steak
④ Cross Rib Pot-Roast
① Beef for Stew
① Ground Beef**
CHUCK
Braise, Cook in Liquid
② Rib Roast
Rib Steak ②
② Rib Steak, Boneless
←②
Rib Eye (Delmonico) Roast or Steak
RIB
Roast, Broil, Panbroil, Panfry
Top Loin Steak ①②③
② T-Bone Steak
③ Porterhouse Steak
①②③ Boneless Top Loin Steak
②③ Tenderloin (Filet Mignon) Steak or Roast (also from Sirloin 1a)
SHORT LOIN
Roast, Broil, Panbroil, Panfry
① Pin Bone Sirloin Steak
② Flat Bone Sirloin Steak
③ Wedge Bone Sirloin Steak
①②③ Boneless Sirloin Steak
SIRLOIN
Broil, Panbroil, Panfry
③ Round Steak
④ Heel of Round
③ Top Round Steak*
① Rolled Rump*
③ Bottom Round Roast or Steak*
③ Cubed Steak*
③ Eye of Round*
Ground Beef**
ROUND
Braise, Cook in Liquid
① ② ③ ④
② ①
① ② ③
1a ① ② ③ ④
① ③ ④ ②
② ③ ①
① ②
② ①
FORE SHANK
Braise, Cook in Liquid
① Shank Cross Cuts
② Beef for Stew (also from other cuts)
BRISKET
Braise, Cook in Liquid
③ Fresh Brisket
③ Corned Brisket
SHORT PLATE
Braise, Cook in Liquid
① Short Ribs
①② Skirt Steak Rolls*
①② Beef for Stew (also from other cuts)
Ground Beef**
FLANK
Braise, Cook in Liquid
Ground Beef**
① Flank Steak*
Beef Patties**
① Flank Steak Rolls*
TIP
Braise
④② Tip Steak*
④② Tip Roast*
④② Tip Kabobs*

*May be Roasted, Broiled, Panbroiled or Panfried from high quality beef.

**May be Roasted, (Baked), Broiled, Panbroiled or Panfried

NATIONAL LIVE STOCK AND MEAT BOARD

6-19 Beef cuts from the shoulder (chuck), breast (brisket), and leg (round) are less tender cuts and cost less.


VEAL CHART
RETAIL CUTS OF VEAL — WHERE THEY COME FROM AND HOW TO COOK THEM
(Large Pieces)
(Small Pieces)
①②③for Stew*
Braise, Cook in Liquid
③ Arm Steak
② Blade Steak
Braise, Panfry
②③ Boneless Shoulder Roast
③ Arm Roast
② Blade Roast
Roast, Braise
SHOULDER
④ Boneless Rib Chop
④ Rib Chop
Braise, Panfry
④ Crown Roast
④ Rib Roast
Roast
RIB
① Top Loin Chop
① Loin Chop
① Kidney Chop
Braise, Panfry
① Loin Roast
Roast
LOIN
Cubed Steak**
① Sirloin Chop
Braise, Panfry
① Boneless Sirloin Roast
① Sirloin Roast
Roast
SIRLOIN
①③④ Cutlets
①③④ Rolled Cutlets
Cutlets(Thin Slices)
③④ Round Steak
Braise, Panfry
② Boneless Rump Roast
② Rump Roast
③④ Round Roast
Roast, Braise
ROUND (LEG)
① ② ④ ③ ⑥ ⑤
① ② ③ ④ ⑤ ⑥
SHANK
⑤ Shank
⑤ Shank Cross Cuts
Braise, Cook in Liquid
BREAST
⑥ Breast
⑥ Stuffed Breast
Roast, Braise
⑥ Riblets
⑥ Boneless Riblets
Braise, Cook in Liquid
⑥ Stuffed Chops
Braise, Panfry
VEAL FOR GRINDING OR CUBING
Rolled Cube Steaks**
Braise
Ground Veal*
Patties*
Roast (Bake) Braise, Panfry
Mock Chicken Legs*
* City Chicken
Choplets*
Braise, Panfry

*Veal for stew or grinding may be made from any cut.

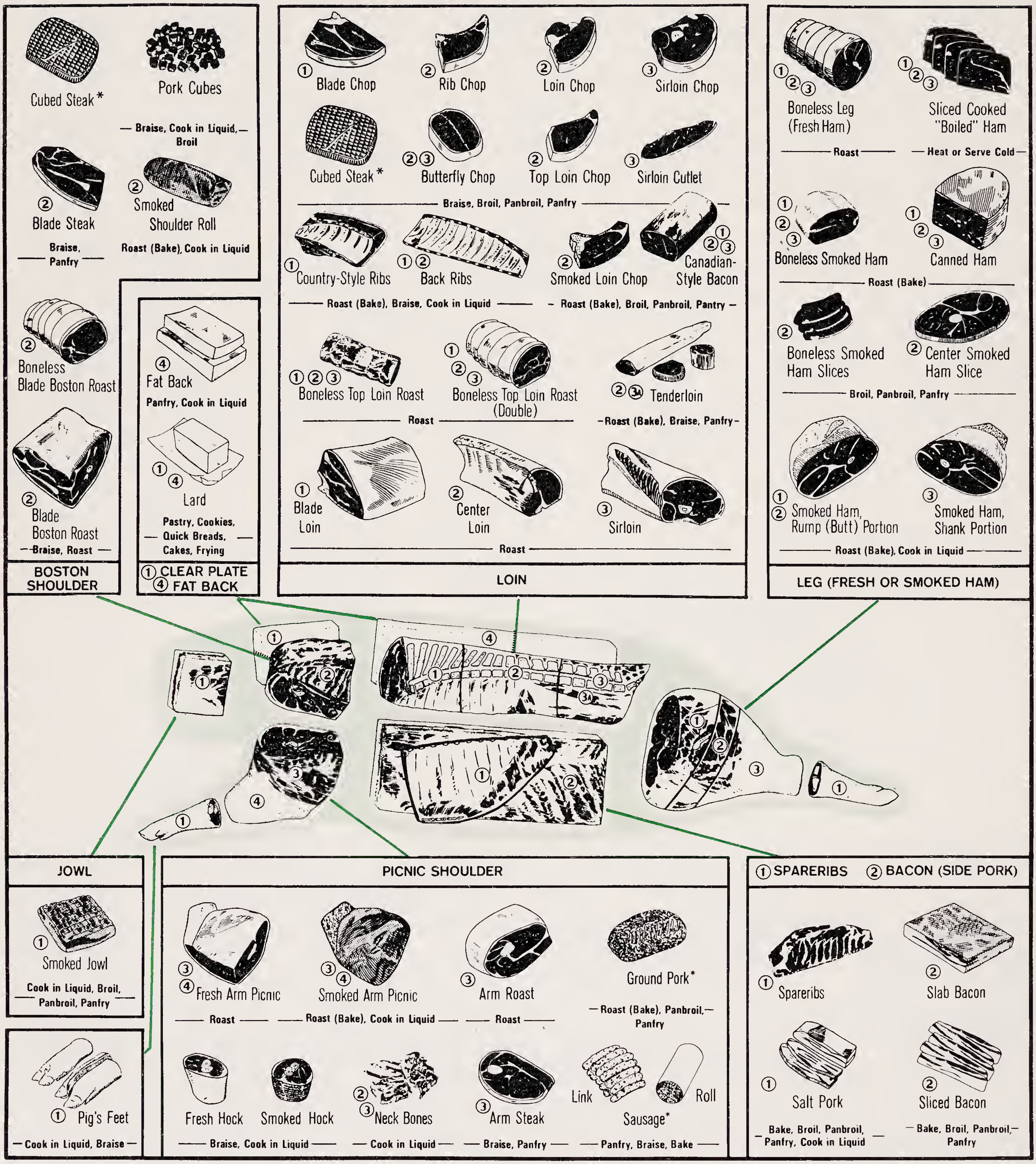
**Cube steaks may be made from any thick solid piece of boneless veal.

NATIONAL LIVE STOCK AND MEAT BOARD

6-20 Veal is a very lean meat. It comes from cattle which are less than three months old.

PORK CHART

RETAIL CUTS OF PORK — WHERE THEY COME FROM AND HOW TO COOK THEM


Cubed Steak*
Pork Cubes
— Braise, Cook in Liquid, — Broil
② Blade Steak
Braise, Panfry
② Smoked Shoulder Roll
Roast (Bake), Cook in Liquid
② Boneless Blade Boston Roast
② Blade Boston Roast
— Braise, Roast —
BOSTON SHOULDER
④ Fat Back
Panfry, Cook in Liquid
① ④ Lard
Pastry, Cookies, Quick Breads, Cakes, Frying
① CLEAR PLATE
④ FAT BACK
① Blade Chop
② Rib Chop
② Loin Chop
③ Sirloin Chop
Cubed Steak*
②③ Butterfly Chop
② Top Loin Chop
③ Sirloin Cutlet
Braise, Broil, Panbroil, Panfry
① Country-Style Ribs
①② Back Ribs
② Smoked Loin Chop
①②③ Canadian-Style Bacon
Roast (Bake), Braise, Cook in Liquid
Roast (Bake), Broil, Panbroil, Pantry
①②③ Boneless Top Loin Roast
①②③ Boneless Top Loin Roast (Double)
Roast
②③A Tenderloin
Roast (Bake), Braise, Panfry
① Blade Loin
② Center Loin
③ Sirloin
Roast
LOIN
①②③ Boneless Leg (Fresh Ham)
Roast
①②③ Sliced Cooked "Boiled" Ham
Heat or Serve Cold
①②③ Boneless Smoked Ham
①②③ Canned Ham
Roast (Bake)
② Boneless Smoked Ham Slices
② Center Smoked Ham Slice
Broil, Panbroil, Panfry
①② Smoked Ham, Rump (Butt) Portion
③ Smoked Ham, Shank Portion
Roast (Bake), Cook in Liquid
LEG (FRESH OR SMOKED HAM)
①
②
③
④
③A
JOWL
① Smoked Jowl
Cook in Liquid, Broil, Panbroil, Panfry
① Pig's Feet
Cook in Liquid, Braise
PICNIC SHOULDER
③④ Fresh Arm Picnic
Roast
③④ Smoked Arm Picnic
Roast (Bake), Cook in Liquid
③ Arm Roast
Roast
Ground Pork*
Roast (Bake), Panbroil, Panfry
Fresh Hock
Smoked Hock
Braise, Cook in Liquid
②③ Neck Bones
Cook in Liquid
③ Arm Steak
Braise, Panfry
Link
Roll
Sausage*
Panfry, Braise, Bake
① SPARERIBS ② BACON (SIDE PORK)
① Spareribs
② Slab Bacon
① Salt Pork
Bake, Broil, Panbroil, Panfry, Cook in Liquid
② Sliced Bacon
Bake, Broil, Panbroil, Panfry

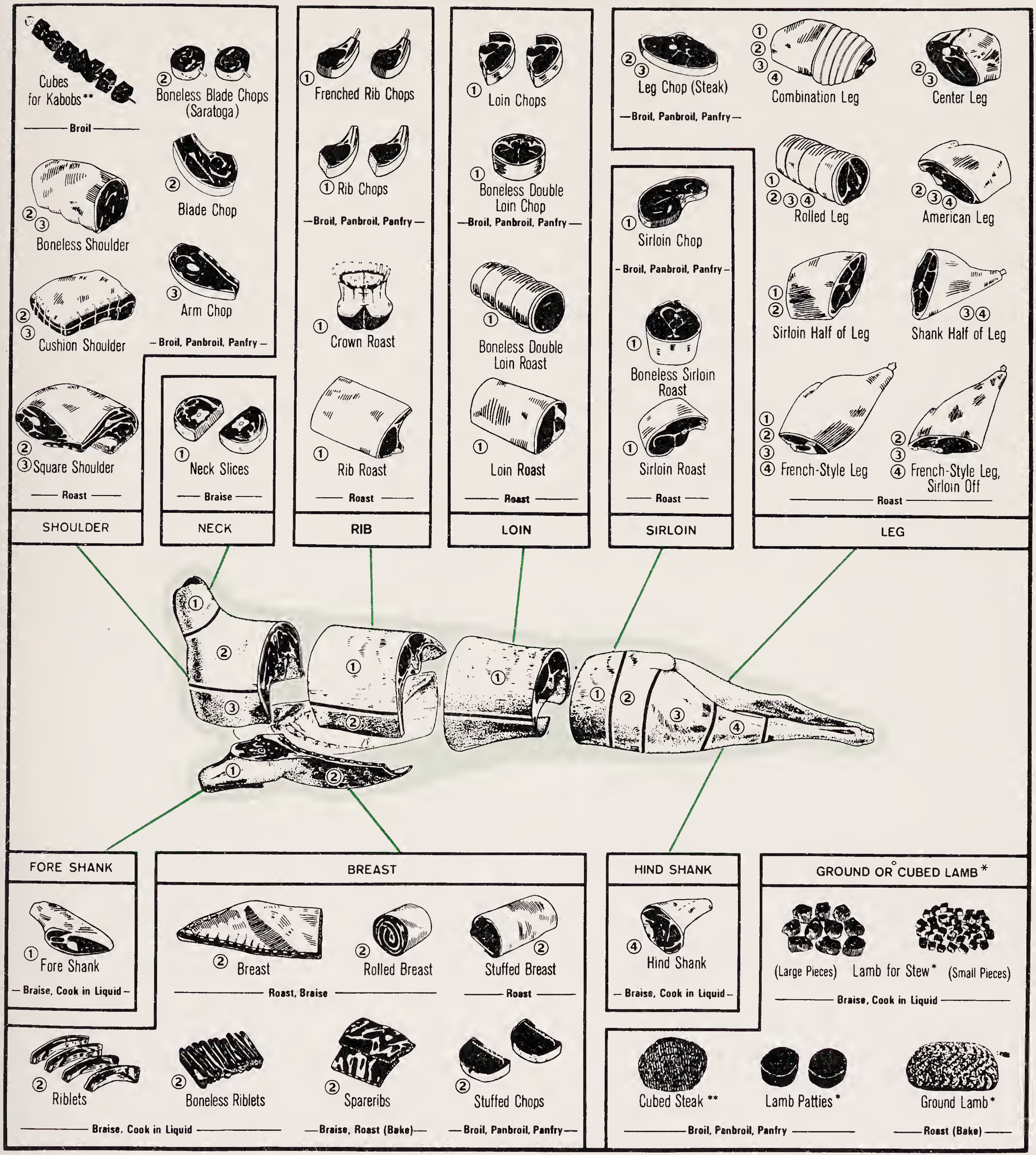
*May be made from Boston Shoulder, Picnic Shoulder, Loin or Leg.

NATIONAL LIVE STOCK AND MEAT BOARD

6-21 Pork is a tender meat which comes from swine.

LAMB CHART

RETAIL CUTS OF LAMB — WHERE THEY COME FROM AND HOW TO COOK THEM


Cubes for Kabobs**
② Boneless Blade Chops (Saratoga)
Broil
②③ Boneless Shoulder
② Blade Chop
②③ Cushion Shoulder
③ Arm Chop
Broil, Panbroil, Panfry
②③ Square Shoulder
Roast
SHOULDER
① Neck Slices
Braise
NECK
① Frenched Rib Chops
① Rib Chops
Broil, Panbroil, Panfry
① Crown Roast
① Rib Roast
Roast
RIB
① Loin Chops
① Boneless Double Loin Chop
Broil, Panbroil, Panfry
① Boneless Double Loin Roast
① Loin Roast
Roast
LOIN
②③ Leg Chop (Steak)
Broil, Panbroil, Panfry
①②③④ Combination Leg
②③ Center Leg
① Sirloin Chop
Broil, Panbroil, Panfry
① Boneless Sirloin Roast
① Sirloin Roast
Roast
SIRLOIN
①②③④ Rolled Leg
②③④ American Leg
①② Sirloin Half of Leg
③④ Shank Half of Leg
①②③④ French-Style Leg
②③④ French-Style Leg, Sirloin Off
Roast
LEG
FORE SHANK
① Fore Shank
Braise, Cook in Liquid
BREAST
② Breast
② Rolled Breast
Roast, Braise
② Stuffed Breast
Roast
② Riblets
② Boneless Riblets
Braise, Cook in Liquid
② Spareribs
Braise, Roast (Bake)
② Stuffed Chops
Broil, Panbroil, Panfry
HIND SHANK
④ Hind Shank
Braise, Cook in Liquid
GROUND OR CUBED LAMB*
(Large Pieces) Lamb for Stew* (Small Pieces)
Braise, Cook in Liquid
Cubed Steak **
Lamb Patties*
Broil, Panbroil, Panfry
Ground Lamb*
Roast (Bake)
①
②
③
①
②
①
②
①
②
③
④

* Lamb for stew or grinding may be made from any cut.

**Kabobs or cube steaks may be made from any thick solid piece of boneless Lamb.

NATIONAL LIVE STOCK AND MEAT BOARD

6-22 Lamb can be identified by its pinkish-red color and white fat.

Poultry can usually be bought whole, halved, or cut up. Larger birds usually cost less per pound than smaller birds. Whole chicken is less expensive than chicken cut into pieces. Removing the bones from chicken yourself is less expensive than buying chicken already boned.

Poultry is also available canned and frozen in whole, cut up, boned, or rolled forms. Usually canned poultry is more expensive than fresh or frozen poultry.

Buying fish and shellfish

Fresh and frozen fish and shellfish are usually sold by the pound (kilogram). The buying guide in 6-23 can help you determine the amount of fish or shellfish to purchase. About 3 ounces (85 g) of cooked, boneless fish is considered one serving.

Although inspection and grading of fish is not mandatory, the National Marine Fisheries Service provides a voluntary inspection program for the fish industry. The grades are U.S. Grade A, B, and C.

Since fish may or may not be inspected or graded, careful selection is especially important. Look for fish with firm flesh and tight, shiny scales. The fish should look and smell clean. The eyes should be bright and bulging. Fish and shellfish should always be refrigerated or on ice when you buy it fresh.

Fish can be bought in a variety of forms. *Whole fish* is fish fresh from the water. *Dressed fish* have their heads, fins, scales, and tails removed. *Fish fillets* are the sides of the fish cut lengthwise. Fillets have few or no bones and are ready to cook. *Fish steaks* are cross-sectional slices of a dressed fish with one large central bone. Steaks are also ready to cook.

Buying fruits and vegetables

Fruits and vegetables are available in a variety of forms—fresh, canned, frozen, and dried. Fruits and vegetables bought fresh are called produce. The price you pay for produce and other forms of fruits and vegetables depends on the time of year, the growing conditions, and the quality.

BUYING GUIDE FOR
FISH AND SHELLFISH

KIND	AMOUNT PURCHASED	SERVINGS
Fish (fresh or frozen)		
Whole	1 lb. (450 g)	1 1/2
Dressed	1 lb. (450 g)	2
Steaks, fillets, portions	1 lb. (450 g)	3
Sticks, cakes (frozen only)	1 lb. (450 g)	5
Fish (canned)		
Tuna	7 oz. (155 g)	2
Salmon	1 lb. (450 g)	4 1/4
Sardines	12 oz. (340 g)	3 3/4
Shellfish		
Clams (fresh or frozen)		
in shell (hard)	1 doz.	2
in shell (soft)	1 doz.	1
shucked	1 lb. (450 g)	2 1/2
frozen, breaded	1 lb. (450 g)	4 1/2
canned, minced	7 1/2 oz. (165 g)	2 1/2
Crabs (fresh or frozen)		
Blue (in shell)	1 lb. (450 g)	3/4
Dungeness (in shell)	1 lb. (450 g)	1 1/4
crab meat	1 lb. (450 g)	5
canned crab meat	6 1/2 oz. (145 g)	1 3/4
Lobster (fresh or frozen)		
in shell	1 lb. (450 g)	1 1/4
meat	1 lb. (450 g)	4 3/4
frozen tails	1 lb. (450 g)	2 2/3
Oysters (fresh or frozen)		
in shell	1 doz.	2
shucked	1 lb. (450 g)	2
frozen breaded	1 lb. (450 g)	4 2/3
canned whole	5 oz. (110 g)	1 2/3
Scallops (fresh or frozen)		
shucked	1 lb. (450 g)	3
frozen breaded	1 lb. (450 g)	4
Shrimp (fresh or frozen)		
in shell	1 lb. (450 g)	2 2/3
peeled raw	1 lb. (450 g)	3
cooked, cleaned, peeled	1 lb. (450 g)	5
frozen breaded	1 lb. (450 g)	4 1/2
canned	13 1/4 oz. (290 g)	4

6-23 This guide can help you determine how many servings you can expect to receive from various forms of fish and shellfish.

The best time to buy fresh fruits and vegetables is when they are in season. When supplies are plentiful, you usually have a better selection to choose from at lower prices. When selecting, consider the degree of ripeness. If you select very ripe fruits and vegetables, make sure you'll be able to use them before they spoil. Look for undamaged fruits and vegetables and avoid any that are shriveled, wilted, bruised, or decayed. They usually have an undesirable flavor, texture, and appearance. Use the chart in 6-24 to help you select fresh quality fruits and vegetables.

When you shop for fresh fruits and vegetables, buy by weight instead of by container size if possible. The heavier a fruit or vegetable is, the greater the value will be. For example, buying oranges by the bag may or may not be as economical as buying oranges by the pound (.45 kg). The best value will depend on the price you pay per pound (.45 kg).

Before buying, consider how you will use the fruit or vegetable. There is no need to buy beautiful, top quality tomatoes to use in spaghetti sauce or perfectly formed peaches for a peach pie. Unless the best quality is of great importance, lower quality produce or canned, frozen, or dried fruits and vegetables at lower prices will be just as suitable. And the nutritive value will be the same.

When you shop, compare prices of fresh, frozen, and canned fruits and vegetables. Usually frozen fruits and vegetables cost less than fresh produce. Canned fruits and vegetables cost less than frozen or fresh.

Also compare prices of different forms and brands of fruits and vegetables. Canned and frozen fruits and vegetables that have been chopped, sliced, or cut cost less than whole pieces. Different brands of the same food also may vary in cost. However, the most expensive is not necessarily the best. Lower-priced brands may be of just as good of quality as higher priced brands of the same fruit.

Buying grain products

Breads, cereals, rice, and macaroni products are all made from grains. Enriched or whole grain products contribute valuable nutrients to the diet as they provide the body with energy. Compared to other foods, most breads and cereals are inexpensive, well liked, and easy to plan with meals.

Wheat, barley, corn, oats, rice, and rye are the grains from which most breads and cereals are made. Flour is the basic grain product that is used to make breads and bakery products. Most flour is made from wheat.

All-purpose, self-rising, cake, and instant flours are the more common flours you see in food stores. All-purpose and self-rising flours are suitable for most cooking and baking. The difference between the two is that self-rising flour has baking powder, soda, and salt added to it. Cake flour is finely textured and is often used to bake pastries and cakes. It is the most expensive of the four flours. While most flours come bagged, instant flour usually comes in a pour container. It blends well with liquids and is used to make gravies and sauces. It is more expensive than all-purpose and self-rising flours.

The cost of breads, rolls, cakes, and other bakery foods depends partly on their convenience. Ready to serve foods usually cost more than foods that require some preparation. Fresh bakery goods usually cost more than refrigerated or frozen goods. Therefore, most ready-baked goods will cost more than the same goods baked at home. However, the time and energy you save is often worth the extra cost.

Hot and cold cereals are sold in many forms. Ready-to-eat and instant cereals are the most convenient and cost more than cereals that require cooking. Small boxes and individual size serving boxes of cereal also cost more per serving than the same cereal in a larger box.

Rice also is marketed in many forms in many varieties. The special rice varieties such as wild rice and seasoned rice and the instant rice brands tend to cost more than regular white rice that requires cooking. Chinese fried rice and other seasoned and flavored rices are available canned or frozen, ready to heat and serve. These forms of rice cost more because of the additional processing required.

BUYING FRESH FRUITS AND VEGETABLES

FRUIT	LOOK FOR	AVOID
Apples	Firm, well-colored apples.	Bruised, overripe, shriveled apples.
Bananas	Firm, brightly colored bananas free from defects.	Bruised or discolored bananas.
Berries	Firm, plump, brightly colored berries free from defects.	Soft, spongy, shriveled leaky berries.
Cantaloupes	Thick veined cantaloupes with a yellowish rind and pleasant aroma.	Cantaloupes with soft spots.
Citrus fruits	Brightly colored, well-shaped limes, oranges, tangerines, and grapefruits that are heavy in size.	Dull and shriveled skin.
Grapes	Brightly colored, plump grapes.	Soft, shriveled, leaky grapes.
Peaches	Slightly firm flesh that is becoming soft.	Very firm, immature peaches and soft, bruised peaches.
Pears	Firm pears with good color.	Very hard, immature pears and soft, bruised pears.
Pineapples	Plump, firm, yellowish-orange pineapples that have a pleasant aroma.	Dry, dull, yellowish-green skin.
Watermelons	Smooth watermelons that have a bright red, firm, and juicy flesh.	Pale-colored, dry or watery flesh.
VEGETABLES	**LOOK FOR**	**AVOID**
Asparagus	Rich green color, tender stalks, and closed, compact tips.	Open, moldy tips.
Beans (snap)	Brightly colored, tender beans with crisp pods.	Thick, tough, dry pods and blemishes.
Beets	Smooth, round bulbs with a rich red color.	Wilted beets with brown scaly patches.
Broccoli	Deep green color, tight flower clusters, and stems that are not too thick or tough.	Open buds; yellow color; and soft, spongy, wilted stalks.
Cabbage	Firm, bright red or green cabbage head, heavy for its size.	Wilted, decayed, yellow outer leaves.
Carrots	Firm, smooth, bright orange skin.	Limp, discolored carrots.
Cauliflower	White color and tight flower clusters.	Discolored cauliflower.
Celery	Smooth, rigid stalks with a bright color.	Limp, discolored stalks.
Corn	Fresh green husks and plump kernels.	Wilted husks and small kernels.
Cucumbers	Firm, well-colored cucumbers.	Limp, yellowing cucumbers.
Green peppers	Firm green peppers that have a bright green color and a glossy sheen.	Punctured green peppers with decayed spots.
Lettuce	Brightly colored, crisp leaves; heavy for its size.	Irregular heads with brown or soft spots.
Onions	Smooth, firm onions with a papery outer covering.	Soft, wet onions.
Potatoes	Smooth, firm, well-shaped potatoes that are free from blemishes.	Large cuts, bruises, green spots, and potatoes that show signs of sprouting.
Tomatoes	Smooth, firm, bright red tomatoes.	Soft, bruised, and cracked tomatoes.

6-24 Select fresh fruits and vegetables according to their color, appearance, and ripeness.

AFTER YOU SHOP

What you do with food at home is the key to enjoying all that you have carefully purchased at the grocery store. Proper storage is necessary to maintain food quality, flavor, and nutritive value and to insure safety, 6-25. Using skill and originality as you prepare and serve food can make meals more appetizing and enjoyable.

Food storage

Different foods require different types of storage. Basically, there are three places to store foods—on the shelf, in the refrigerator, and in the freezer. Charts 6-26, 6-27, and 6-28 tell you how to store many foods and how long foods will keep.

Food preparation

Planning and preparing food in an attractive, appetizing way increases mealtime pleasure. The way you prepare food affects its nutritive value, appearance, and taste. Food preparation and service can also determine how much satisfaction you get from your food dollars.

When planning meals, consider food contrasts. Try to have a colorful combination of hot and cold foods, sweet and tart flavors, and crisp and soft textures. Also consider food combinations. Hot dogs and baked beans seem to go together, while hot dogs and creamed peas don't. Try to combine foods that will taste good together.

Appearance and temperature are two important factors in meal planning. When food looks good, it tastes better. Try to preserve natural colors and textures of food. Work to achieve the right consistency in gravies, sauces, and other combination dishes. Time the meal so that when you serve, the hot foods are hot, and the cold foods are cold. No one wants to eat cold French fries and warm cole slaw!

When preparing meals, remember that every individual and family has food likes and dislikes. Try to include one or two known

RASDALE
GREEN GIANT
SWEET PEAS
WHOLE KERNEL GOLDEN SWEET CORN
PLANTERS OIL
Star-Kist
Crisco
Wax Beans
CARROTS

TUPPERWARE® HOME PARTIES

6-25 To maintain food quality, flavor, and nutritive value, store foods properly.

SHELF STORAGE

Store foods in your coolest kitchen cabinets, not over range or near refrigerator's exhaust. Dry foods keep fresh the longest in airtight containers, which also help keep out insects. When shopping, choose fresh-looking packages and avoid cans with swollen ends and dents. Date your purchases, then check your kitchen cabinets every six months or so to be sure you use the oldest items first. With longer storage, flavors gradually fade and nutrients are lost.

FOOD	TIME	SPECIAL HANDLING
Staples		
Baking powder, soda	18 months	Keep all dry foods in original package or tightly closed air-tight containers in dry spot unless otherwise directed on label.
Bouillon cubes, powder	1 year	
Bread, rolls	3 days	
Bread crumbs, dried	6 months	
Cereals, ready-to-eat	check date on package	
ready-to-cook	6 months	
Chocolate, premelted	1 year	
semisweet	2 years	
unsweetened	18 months	
Coffee, vacuum pack	1 year	Refrigerate after opening.
Coffee, instant (closed)	6 months	Keep 2 weeks after opening.
Coffee lighteners, dry (opened)	6 months	
Condensed and evaporated milk	1 year	Refrigerate after opening.
Flour		
cake, all-purpose	1 year	
rye, whole-wheat		Keep refrigerated.
Gelatin, unflavored	3 years	
Honey, jams, syrups	1 year	
Molasses	2 years	
Nonfat dry milk	6 months	
Oil, salad	3 months	Refrigerate after opening.
Pasta	2 years	
Peanut butter	6 months	Keep 2 months after opening.
Potatoes, instant	18 months	
Rice		
brown, wild	1 year	
white	2 years	
Salad dressings	3 months	Refrigerate after opening.
Shortening, solid	8 months	
Sugar		
brown, confectioners'	4 months	
granulated	2 years	
Tea, bags, loose	18 months	
Tea, instant	2 years	
Packaged Foods and Mixes		
Cakes, prepared	2 days	
Cake mixes	1 year	
Casserole mixes	18 months	
Cookies, packaged	4 months	
Crackers	3 months	
Frosting, can or mix	8 months	
Hot-roll mix	18 months	
Pancake mix	6 months	
Piecrust mix	6 months	
Pies and pastries	3 days	Refrigerate cream, custard, chiffon fillings.
Pudding mixes	1 year	
Rice mixes	6 months	
Sauce, gravy, soup mixes	6 months	
Toaster pop-ups	3 months	
Canned and Dried Foods		
Fruits, canned	1 year	
dried	6 months	
Gravies, canned	1 year	
Meat, fish, poultry	1 year	
Pickles, olives	1 year	
Soups, canned	1 year	
dried	15 months	
Vegetables, canned	1 year	
Whipped-topping mix	1 year	
Herbs, Spices, Condiments		
Barbecue sauce, catsup, chili sauce (opened)	1 month	
Herbs and spices		Keep in cool spot. Replace if aroma fades. Refrigerate red spices.
whole spices	1 year	
ground spices, herbs	6 months	
Tobasco, Worcestershire	2 years	
Miscellany		
Coconut, can	1 year	
Metered-calorie products, instant breakfasts	6 months	
Nuts	9 months	
Parmesan cheese, grated	1 month	
Pasteurized processed cheese food and spread	3 months	
Soft drinks	3 months	
Vegetables		Keep dry, out of sun, loosely wrapped.
onions, potatoes, rutabagas, squash (hard-shelled), sweet potatoes	1 week at room temperature	

GOOD HOUSEKEEPING INSTITUTE

6-26 Many staples, packaged foods, mixes, canned and dried foods, and herbs, spices, and condiments can be stored on shelves.

REFRIGERATOR STORAGE

Keep refrigerator temperature between 35 ° and 40 °F (2 and 4 °C). If it rises above 40 °F (4 °C), food quickly spoils. Except as noted in chart, wrap foods in foil, plastic wraps, or bags, or place in airtight containers, to keep food from drying out and odors from being transferred from one food to another. Food kept longer than recommended times may be usable, but of inferior quality.

FOOD	TIME	SPECIAL HANDLING
Dairy Products		
Butter	2 weeks	Hold only 2-day supply in butter keeper.
Buttermilk, sour cream, yogurt	2 weeks	
Cheese		Keep all cheese tightly packaged in moisture-resistant wrap.
cottage, ricotta	5 days	
cream, Neufchâtel	2 weeks	
hard and wax-coated cheeses—Cheddar, Edam, Gouda, Swiss, etc., large pieces,		
unopened	3-6 months	
opened	3-4 weeks	
sliced	2 weeks	
Parmesan, grated	12 months	
process (opened)	3-4 weeks	Unopened process cheese need not be refrigerated.
spreads	2 weeks	
Cream—light, heavy, half-and-half	1 week	Keep tightly covered.
Dips—sour cream, etc.		
commercial	2 weeks	Keep tightly covered.
homemade	2 days	Keep tightly covered.
Eggs		
in shell	1 month	Keep small end of egg down, to center yolks.
yolks	4 days	Cover yolks with water; cover container.
whites	4 days	
Margarine	1 month	One week for best flavor.
Milk		Keep containers tightly closed. Do not return unused milk to original container. This spreads bacteria back to remaining milk.
evaporated (opened)	1 week	
filled, imitation	3-4 days	
pasteurized, reliquefied nonfat dry, skimmed	1 week	
sweetened condensed	1 week	
Whipped topping, in can	3 months	
prepared from mix	3 days	
Fruits		
Apples	1 month	Do not wash before storing—moisture encourages, spoilage. Store in crisper or moisture-resistant bags or wrap. Keep fruit juices tightly covered. It is not necessary to remove canned fruit from can.
Apricots, avocados, bananas, melons, nectarines, peaches, pears	5 days	
Berries, cherries	3 days	
Citrus fruit	2 weeks	
Grapes, plums	5 days	
Pineapple	2 days	
Vegetables		
Asparagus	3 days	
Beets, carrots, parsnips, radishes, turnips	2 weeks	Remove any leafy tops before refrigerating.
Broccoli, Brussels sprouts, green onions, zucchini	5 days	
Cabbage, cauliflower, celery, cucumbers, eggplant, green beans, peppers, tomatoes	1 week	If necessary, ripen tomatoes at room temperature before refrigerating.
Corn	1 day	Leave in husk.
Lettuce, spinach, all leafy greens	5 days	Rinse, drain before refrigerating.
Limas, peas	5 days	Leave in shell.
Meats		
Beef, lamb, pork, veal		If not prepacked, wrap loosely in waxed paper so surface can dry slightly.
chops	3-5 days	
ground meat	1-2 days	
roasts, steaks	3-5 days	
stew meat	1-2 days	
Variety meats (liver, heart, etc.)	1-2 days	
Processed meats		Store in coldest part of refrigerator. Unopened vacuum packs keep about 2 weeks. Treat uncured or nitrite-free meats like fresh; refrigerate only 4-7 days.
bacon, frankfurters	1 week	
hams (whole, halves)	1 week	
hams, canned (unopened)	6 months	
luncheon meat, slices	5 days	
sausage, fresh or smoked	2-3 days	
Fish and Shellfish		
Fresh, cleaned fish—steaks, fillets	1 day	Keep wrapped in plastic wrap, bag.
Clams, crab, lobster in shell	2 days	
Seafood—shucked clams, oysters, scallops, shrimp	1 day	
Poultry		
Ready-to-cook chicken, duck, or turkey	2 days	May be stored in transparent wrap as purchased.
Canned Food, after opening		
Fish, seafood; poultry	1 day	Store all canned foods tightly covered. It is not necessary to remove food from can.
Fruit	1 week	
Gravy, broths	2 days	
Meats	2 days	
Pickles, olives	1 month	
Vegetables	3 days	

GOOD HOUSEKEEPING INSTITUTE

6-27 The many kinds of foods listed in this chart all require refrigeration.

FREEZER STORAGE

Keep freezer at 0 °F (−18 °C) or lower. Check temperature with thermometer, or use this rule of thumb: If the freezer can't keep ice cream brick-solid, temperature is above recommended level. If this is the case, use food within a week or two. To wrap for storage of one month or more, use moisture-vaporproof plastic wrap, freezer wrap (may be specially coated or laminated), or heavy-duty foil. After times listed, food is safe, but flavors fade.

FOOD	TIME	SPECIAL HANDLING
Home-Frozen Foods		
Breads		
baked	3 months	
unbaked doughs	1 month	Use only special freezer-dough recipes
Butter, margarine	9 months	
Cakes, baked	3 months	
Cookies, baked, dough	3 months	
Cheese		Creamed cottage cheese and cream cheese don't freeze well. Cut and wrap cheese in small pieces.
dry-curd cottage cheese, ricotta	2 weeks	
natural, process	3 months	
Cream (all kinds)	2 months	Thawed cream may not whip.
whipped	1 month	
Eggs, in shell		Do not freeze.
Eggs whites, yolks	1 year	For sweet dishes: Mix each cup yolks with 1 tablespoon corn syrup or sugar. For other cooking, substitute 1 teaspoon salt for sugar.
Fish, shellfish		Wrap tightly in heavy-duty foil or freezer wrap.
"fatty" fish—bluefish, catfish, trout, etc.	3 months	
"lean" fish—cod, flounder, etc.	6 months	
shellfish	3 months	
Ice cream, sherbet	1 month	
Main dishes, cooked		Freeze in freezer and ovenproof baking dishes or freezer containers.
meat, fish	3 months	
poultry	6 months	
Meat		If meat is purchased fresh and wrapped in plastic wrap, check for holes. If none, freeze in this wrap up to 2 weeks. For longer storage, overwrap tightly with freezer wrap or heavy-duty foil. Keep frankfurters in vacuum packages.
bacon	1 month	
frankfurters	2 weeks	
ground, stew meat	3 months	
ham	2 months	
leftover cooked	3 months	
roasts		
beef, lamb	1 year	
pork, veal	8 months	
steaks, chops		
beef	1 year	
lamb, veal	9 months	
pork	4 months	
variety meats	4 months	
Nuts	3 months	
Pies		
custard		Do not freeze.
fruit	8 months	Freeze baked or unbaked.

FOOD	TIME	SPECIAL HANDLING
Poultry		Wrap in heavy-duty foil or freezer wrap as airtight as possible. Thaw uncooked poultry in refrigerator or under cool running water. Cook within two days of thawing.
cooked, with gravy	6 months	
cooked, no gravy	1 month	
uncooked (whole)		
chicken, turkey	1 year	
duck, goose	6 months	
uncooked (parts)		
chicken	9 months	
turkey	6 months	
Vegetables	1 year	
Commercially Frozen Foods		
Breads		Pick up frozen foods immediately before going to check-out counter. Buy only foods frozen solid and with no dribbles on the package, odor, or other signs of being thawed. Put all frozen foods together in one bag so they'll stay cold as possible for trip home. Store in original wrapping. Place in home freezer as soon as possible. Cook or thaw as label directs.
baked	3 months	
unbaked	check label	
Cakes		
angel-food	2 months	
layer cake, frosted	4 months	
pound, yellow cake	6 months	
Coffee lighteners	1 year	
Doughnuts, pastries	3 months	
Fish, shellfish		
"fatty" fish—mackerel, trout, etc.	3 months	
"lean" fish—cod flounder, etc.	6 months	
Shellfish		
Alaska King crab	10 months	
breaded, cooked	3 months	
lobster, scallops	3 months	
shrimp (unbreaded)	1 year	
Fruit	1 year	
Ice cream, sherbet	1 month	
Juices, concentrates	1 year	
Main dishes, pies		
fish, meat	3 months	
poultry	6 months	
Meat		
beef, roasts, steaks	1 year	
ground beef	4 months	
lamb, veal		
roasts, steaks	9 months	
pork		
chops	4 months	
roasts	8 months	
Poultry		
chicken, turkey parts	6 months	
chicken, turkey (whole bird)	1 year	
duck, goose	6 months	
TV dinners	6 months	
Vegetables	8 months	

GOOD HOUSEKEEPING INSTITUTE

6-28 A freezer allows you to store some foods properly for long periods of time.

favorites in each meal. Occasionally, prepare new and different foods and food combinations. This will add interest and variety to mealtime.

To plan and prepare meals, find one or two good, basic cookbooks to guide you. A pinch of this and a handful of that may work for some experienced cooks, but recipes are more reliable. On the other hand, don't be afraid to experiment to find the tastes that appeal to you and the people you serve. Adding just the right amount of herbs, spices, or seasonings can wake up the flavor of many ordinary foods.

Before serving meals, think about atmosphere. Atmosphere is the setting in which a meal is served. Not every meal calls for candlelight and roses. But even a quick breakfast can taste better if you eat at a clean, uncluttered table. Pleasant conversation adds atmosphere to any meal. For parties and special meals, you may want to create a festive atmosphere with special room decorations, table settings, and music.

WHEN YOU EAT OUT

Americans spend close to 40 billion dollars every year on meals away from home. An average family spends about five percent of their total income in restaurants. This amounts to 20 percent of that average family's food budget. Although you may spend more or less than the national average, you will, no doubt, spend a considerable amount of money eating out. Whether eating away from home is a necessity or a pleasure, you will want to get the most satisfaction for your money.

Before you sit down to eat at a restaurant, it is a good idea to find out what foods the restaurant serves and what prices it charges. A phone call before you leave home or a few questions before you are seated may save you time, expense, and embarrassment. You should never have to order a meal you don't want at a price you can't afford.

By calling the restaurant ahead of time, you can also find out if reservations are required or accepted, if a certain dress is required, and if credit cards are honored. If you go to a restaurant and find it is not what you expected, you can always leave quietly.

Restaurant reviews in local papers and magazines can be very helpful. They describe the types of food served, the house specialties, the atmosphere, and the service. They tell the price range and the hours the restaurant is open.

Sometimes you can find bargains as well as atmosphere at ethnic restaurants. In an Oriental or Greek restaurant, for example, you can order dishes you may not be able to prepare at home. And prices are often very reasonable.

Try more expensive restaurants for lunch rather than dinner. The same food, atmosphere, and service often cost less at noon than in the evening.

When you eat out, remember that you are paying for more than just the food. You are paying for someone to buy, prepare, cook, and serve the food. Even inexpensive fast food operations charge more than similar foods you prepare at home. Consider how much and how often you are willing to pay someone else to shop and cook for you.

If you are eating out with friends, decide ahead of time how you want to pay. Ask for separate checks when you are eating dutch. Eating dutch means that each person is paying his or her own way. Separate checks can save hassles when the bill comes.

Don't forget the price of a tip when you are considering the cost of eating out. Fast food, self-serve places do not call for tips. But in most other restaurants, those who serve you will expect tips. Be prepared to leave 15 to 20 percent of the bill for a tip. For example, suppose the total food bill is $4.00. A 15 percent tip would be 60 cents. A 20 percent tip would be 80 cents.

The more you eat out, the easier it will become for you to choose eating places to match your mood and your pocketbook. Sometimes you may just want a casual spot for a soda. Other occasions may call for a fancy meal with plenty of atmosphere, as shown in 6-29. Most people agree that experience is a powerful teacher. See what you can learn from these three inexperienced, unprepared diners.

Case Studies

TOBY AND HIS DATE

Toby is a 17-year-old high school senior. He has wanted to ask Patty for a date for a long time. Two days ago he felt courageous and asked her. She accepted, so they have a date Saturday night. Toby wants it to be a special evening—a nice dinner and a movie.

Since Toby can use the family car, he can drive to any of several nice restaurants in the area. He has heard commercials for a new restaurant called Le Chateau. The commercials describe the restaurant as a "romantic, candlelit dining spot for special evenings." This is just what Toby had in mind.

The evening proves to be unforgettable! Toby picks up Patty at six o'clock. She looks gorgeous! They drive to Le Chateau and join a crowd of 30 to 40 people waiting for a table. Toby didn't know he should have made reservations. After waiting almost 45 minutes, Toby and his very special date are seated at a small table wedged between the "in" and "out" doors to the kitchen. It is a noisy, cramped spot, anything but romantic.

Toby is already embarrassed about the evening—waiting 45 minutes for a table and getting the table between the kitchen doors. He just hopes the evening will get better, but it doesn't. Things seem to get worse.

A waiter with a French accent brings them a menu which is printed in French. Neither Toby nor Patty understands the names of the foods, but the prices are clear enough. Toby orders the least expensive item on the menu. Even that is more than he can really afford. Patty senses that Toby is "over his head" and orders the same thing.

When the food comes, they learn that "oeufs perigourdino" is a baked egg dish with finely ground goose liver. It is not a dish either of them ever wants to try again. They both eat quickly with very little conversation and not much appetite.

When the check comes, it is twice the amount Toby had planned to spend. Luckily, he has enough money with him to pay. All he has to do now is figure out what to do with the rest of the evening. He has no money left for a movie.

Questions to discuss

1. How could Toby have avoided this unforgettable evening at Le Chateau?
2. What might Toby have done once he arrived at Le Chateau and realized that it was not what he expected?
3. How would you plan a dinner at a restaurant you have never tried before?

AN EVEN SPLIT

Freddie is a college freshmen. He has a part-time job on campus and gets a little spending money from his parents each month. He finds that his cash goes pretty fast now that he lives and eats away from home. Freddie has $10 to stretch over three more days until he gets paid again.

Freddie and four other guys are eating at the Macho Taco. Freddie orders very carefully, trying to keep his tab under $3. He manages to get two tacos and a lemonade for $2.75. Freddie is congratulating himself on his cheap meal while the other guys order big.

The waitress puts all the orders on the same bill. When they are ready to leave, Big Sam takes the check. He divides the total by five instead of trying to figure out who had what. Freddie's share comes to $5.25.

Big Sam is a "big deal" on campus. Everyone looks up to him, and nobody crosses him. Freddie doesn't have the nerve to speak up and say his share is really only $2.75. He is afraid of looking cheap.

Questions to discuss

1. How could Freddie have avoided this problem?
2. What would you have done if you were Freddie?
3. How can you prevent similar experiences from happening to you?

ALL FOR THE PRICE OF A TIP

Ginger is 18, working at her first job, and living in her first apartment away from home. Recently, she has won a dinner for two at a very nice, expensive restaurant. She invites Warren, a neighbor and frequent date, to join her for the free dinner.

The restaurant is a big step above the neighborhood cafe and fast food spots where Ginger and Warren usually eat out. In fact, neither of them feels entirely comfortable with the fancy surroundings and the hovering waiters. The menu itself is frightening. After studying the expensive selections, they finally settle on the house specialty—rack of lamb for two. Without the winning coupon, the dinner for two would have cost $43.

Although the meal is free, the tip is not included. Ginger and Warren usually eat in places where little or no tip is expected. It is clear to them that their waiter expects a healthy amount. In fact, the waiter has earned it. The service has been excellent.

Quietly, Ginger and Warren try to decide how much tip they should leave the waiter. The bill comes to $49.50. This includes appetizers, the rack of lamb, dessert, and coffee. Since the meal was free and the service was excellent, they decide to leave a $9 tip.

Questions to discuss

1. How much do you think Ginger and Warren should have left for a tip?
2. What are some guidelines to help you decide how much to leave for a tip in restaurants?
3. When are you justified in leaving no tip at all?
4. What do you think makes people overtip?
5. What experience have you had with tipping in restaurants?

DRAKE HOTEL, CHICAGO

6-29 Whenever you eat out, choose a restaurant that you will like and can afford.

to Know

Basic Four Food Groups
food grades
generic products
inspection stamps
nutrients
nutrition information panel
open dating
Recommended Daily Allowances (RDA)
standardized foods
unit pricing
United States Recommended Daily Allowances (U.S. RDA)
universal product code (UPC)

to Review

1. How many servings from each of the Basic Four Food Groups are recommended daily for teenagers?
2. What questions can you ask yourself to help you establish a food budget?
3. How can planning food purchases help consumers be better food shoppers?
4. Name three reasons why it is usually better to shop in the same one or two stores for routine food buying.
5. List three ways the UPC system can affect food shopping.
6. Why are generic products less expensive than national and store brands?
7. What foods must have nutrition information panels?
8. How can unit pricing help consumers shop for food and save money?
9. The last day a product should be sold is called the:
    a. Freshness date.
    b. Pack date.
    c. Expiration date.
    d. Pull date.
10. True or false. Inspection stamps on foods help you judge the quality of foods.
11. Which milk product usually costs the most: low-fat milk, skim milk, or whole milk? Why?
12. The amount of meat you need to buy depends on what two factors?
13. True or false. When buying poultry, remember to select mature birds for frying, roasting, and broiling.
14. When eating out, why is it a good idea to call a restaurant ahead of time if you have never eaten at the restaurant before?

to Discuss

1. Name three good food sources for each of the six nutrients the body needs.
2. How many servings from each of the Basic Four Food Groups do you usually eat? Is your diet supplying you with the right amount of nutrients that you need?
3. How can the Basic Four Food Groups help you plan meals and shop for foods?
4. What are some of the factors that can affect food prices?
5. What can you do to be a better meal planner and food shopper?
6. How would you decide where to shop for food?
7. Do you or your family use unit pricing when food shopping?
8. Why is proper food storage and food preparation important to successful food budgeting?
9. How would you choose a restaurant for a special occasion or celebration?

to Do

1. Bring to class news items from newspapers and magazines that describe events which could affect the supply and demand of food. In class, discuss how food prices could be affected.
2. Evaluate three food stores in your community using the questionnaire "Choosing Where to Shop for Groceries" on page 109 of text. Report to the class which one of the three stores you prefer and why.
3. Collect 15 to 20 labels from different foods to study and compare. Check to see if the information on each label includes the common name of the food, the net contents, and the name and address of the manufacturer, packer, or distributor. If nutrition information is given, check to see if the required information is included in the specified order. What other information do you find on these food labels?
4. Take responsibility for the food planning and

marketing for your family for one week. Using the Basic Four, outline nutritional menus and snacks for the week and make up a shopping list of the foods you will need. Refer to newspaper food pages for ideas and specials. Then do the actual food shopping. (If this is not possible, go to the store and write down the prices of the items on your list.) When shopping, remember to look at:

- Unit pricing to compare prices.
- Open dating to check for freshness.
- Government inspection marks and grades to check for wholesomeness and quality.
- Food labels to compare contents and nutritive values.

Prepare a three-minute oral report on your experience telling what foods you bought, how much money you spent, and how you would improve your plan if you were to do it again.

5. For two weeks, keep track of the food that becomes waste in your home. Food is often wasted when it:
   - Is hidden or lost in the refrigerator or freezer too long.
   - Is stored in the wrong place or at the wrong temperature.
   - Is improperly packaged or wrapped for storage.
   - Is prepared or cooked incorrectly.
   - Becomes an unwanted leftover.

   Report to the class what types of foods were wasted, why the food was wasted, and how much money was lost.

When foods are selected and prepared with care, meals are both nutritious and satisfying.

KELLOGG CO.

7

The shirt on your back

After studying this chapter, you will be able to:

- ☐ Explain how clothes can reflect your personality and influence the way other people see you.
- ☐ Evaluate your wardrobe, establish a clothing budget, and make wise wardrobe selections.
- ☐ Evaluate clothing construction, the materials used in construction, and the fit and appearance of garments when shopping.
- ☐ Care for clothes properly so they will look nicer and wear longer.

Since the first animal skin was used to cover a human figure, the question of what to wear has occupied the minds of men and women around the world. “What will I wear?” “I have nothing to wear.” “What is everyone else wearing?” These are familiar expressions in every household.

Most people want clothes that look nice and feel comfortable. They want a wardrobe that will be right for the places they go and the things they do. Having the right clothes for all seasons and all places is largely a matter of careful planning and buying. Knowing how to evaluate your wardrobe, shop for clothing values, and care for your clothes properly can help you achieve the look you like at a price you can afford.

FIRST IMPRESSIONS

When you meet someone for the first time, what do you notice first? Most people notice the person’s appearance. People tend to form first impressions about others based on their appearance, especially their clothes. That’s why you need to put some thought into the clothing decisions you make. The clothes you choose to wear make a statement to other people and influence the way other people see you, 7-1.

Since first impressions can be very important, think about the impressions you form about other people. As you read the following descriptions, imagine you are meeting Joyce, Marty, Sandra, and Barry for the first time. Based on their clothes and appearance, what are your impressions of each person?

Joyce is new in your school. Her family just moved into town. For her first day at school, Joyce wears a pair of worn jeans, a sweat shirt with the name of her old school on it, and a pair of worn loafers.

Joyce's hair is long and straight. She wears it in a long ponytail down her back. Her eyes are carefully made-up with bright blue eye shadow and heavy mascara.

What do you think of Joyce? How do you think she feels about herself? About attending a new school? About making new friends?

Would you want to know Joyce better?

Do you think Joyce would be accepted in your school? Why?

What impression do you think teachers would form of Joyce?

How would you dress for your first day at a school where you knew no one?

You meet Marty at a friend's birthday party. Everyone there is dressed in nice casual clothes, except Marty. Marty pumps gas at a local service station after school and on Saturdays. He comes to the party early, wearing his heavily soiled work clothes. His hands are black and greasy.

What do you think of Marty? How does his appearance strike you?

Would you want to know Marty better? Why?

What do you think your friends would think of Marty? Your parents? Teachers? His employer?

Sandra is sitting next to you on a plane. You have never met. You will be sitting beside each other for a three-hour trip.

Sandra is about your age. She is wearing attractive wool slacks and a matching sweater. The outfit fits her well and looks nice on her. Her shoes look new and match her outfit well. Sandra's hair is short and neatly styled. Her face is slightly made-up, but it is hard to tell what is makeup and what is natural. She has a pleasant expression on her face.

What is your impression of Sandra? Would you want to talk with her? Would you feel comfortable starting a conversation?

How do you think Sandra feels about herself? About clothes? About other people?

How would Sandra look to your friends? Your parents? Other travelers?

How would you dress for traveling?

Barry is new in town. He now lives in your neighborhood. You meet him for the first time at a stereo shop. He is wearing jeans, a plaid shirt, and tennis shoes. His hair is cut short.

What do you think of Barry? Would you want to know him better? Why?

How do you think your friends would like Barry?

Are Barry's clothes similar to or different from what you would wear to go shopping?

CLOTHES AND YOUR PERSONALITY

Clothes do more than just cover and protect the body. The clothes you wear express your personality. They can show your desire to conform or to be different. They can show your concern for status or your indifference to it. They can also express your individuality, imagination, and creativity, 7-2.

Clothes not only express your personality to others, they also influence the way you feel about yourself. Your clothes can make a difference in the way you act in different situations. If you are unhappy with the clothes you are wearing, you may not feel confident of yourself. Your lack of confidence will then be reflected in your behavior. On the other hand, if you think you are appropriately dressed, you are likely to feel comfortable and confident. This is true for all types of occasions, from parties to job interviews.

No matter how you dress, you are saying things about yourself to others. Have you given much thought to your appearance? What do you think your clothes say about you?

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BLUE BELL

7-1 First impressions are greatly influenced by clothes.

BLUE BELL

7-2 The clothes you choose help you tell people who you are.

Case Studies

SHERRY TAKES A FIRST LOOK AT CLOTHES

Thirteen-year-old Sherry is the only sister of four older brothers. She and her family have an active life-style. They go camping, water skiing, and golfing often. With seven family members, someone is coming or going all the time. Sherry's home seems to be a center of never-ending activity.

Sherry's closet is full of jeans, shirts, and sweaters passed down to her by her older brothers. She has worn hand-me-downs most of her life and has felt comfortable doing so. As the younger sister of four athletic brothers, Sherry is known and accepted by almost everyone in town. Regardless of what she wears, Sherry is always well liked. Until now, Sherry has been too busy to be very interested in clothes.

This year Sherry's social life will change. She is going to a new community high school. For the first time, Sherry will be surrounded by lots of unfamiliar faces. Although she has never given much thought to her clothes, Sherry knows that her brothers' worn shirts and jeans won't be right for high school. She also knows that the wrong clothes could make it tough for her to meet new friends and be accepted at school.

For the first time, Sherry is thinking of clothes as a way of communicating something about herself. She wants to say, "I'm O.K. I belong here. I am interesting and fun. I know what to wear and what to do."

Questions to discuss

1. What types of clothes do you think Sherry should wear to say what she wants to say?
2. Why do you think Sherry suddenly cares about what she wears?
3. Why do people often care more about their appearance in front of strangers than among friends?
4. When are you most concerned about the way you look?
5. When do you most want to wear what others are wearing?
6. How do you feel about people whose clothes are very different?

FASHIONABLE FRAN

Fran spends practically all of her money on clothes, fashion magazines, and cosmetics. Each night she plans what she will wear the next day. Each morning she spends an hour getting ready for school. She must look perfect before leaving home.

Fran loves clothes and everything about them. Her highest ambition in life is to be a fashion model. Each new season, Fran is the first to wear the latest fashions. The time she does not spend dressing and shopping for clothes, she spends reading fashion magazines and sewing her own designs. Absolutely nothing is more interesting to Fran than her clothes, her appearance, and the latest fashions.

Questions to discuss

1. How do you feel about Fran's interest in clothes?
2. How would you feel about having Fran as a friend or date?
3. How does Fran's attitude about clothing compare with your own?
4. Do you think Fran's attitude about clothing will help her become a model?

THE SCENE CHANGES

Carl has just graduated from high school. In school, Carl was known and liked by almost everyone. He was the star of the football team and had the lead in the senior play.

Until Carl graduated, he had never thought much about the clothes he wore. Everyone in school dressed pretty much alike. It was simple to wear the "right" clothes then. Now Carl is more concerned about his clothes. The clothes in his closet no longer seem "right" for all his activities. He is wondering what clothes he will need for a summer job and for college in the fall. Carl wants to make the right clothing choices so he can feel good about his wardrobe and appearance.

Questions to discuss

1. What do you think Carl should wear for job interviews? How do you think the way he looks might influence possible employers?
2. What do you think Carl should wear if he worked at the following jobs?
   a. Stock clerk at a supermarket.
   b. Clerk in a clothing store.
   c. Aid at a hospital.
   d. Little league coach.
   e. Door-to-door salesperson.
   f. File clerk in an office.
3. What type of wardrobe do you think Carl will need at college? How can he find out what he needs before buying?

A WARDROBE FOR ALL SEASONS

At one time or another, you have probably complained, "I have nothing to wear." You may have been staring at a closet full of clothes when you said it. At the time, you probably thought the clothes you had were not right for the occasion.

By following a good *wardrobe plan,* you can gradually fill your closet with clothes and accessories for all seasons and all occasions. A good wardrobe plan involves three major steps: taking a wardrobe inventory, clearing away the clothes you never wear, and adding the clothes you need. The last step has to be combined with a sound money management plan. The wardrobe additions you make will depend on the amount of money you can spend for clothing.

The inventory

A *wardrobe inventory* is a list of all the clothes, shoes, and accessories that you have. This includes belts, ties, scarves, hats, gloves, purses, and jewelry. Taking an inventory each season can help you determine what types of new clothes you need for all occasions. When making an inventory, list all the clothes you have according to what they are (jacket, slacks, shirt, etc.) and where you would wear them. Remember to include sleepwear, undergarments, shoes, and accessories on your wardrobe list. Also list any special clothes or uniforms you have for work, sports, and other special activities.

The clearance

One purpose of a wardrobe inventory is to clear out items from your closet that you no longer wear, need, or want. See 7-3. When

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7-3 At the start of each season, take a wardrobe inventory. Remove the items that you no longer wear and do not need.

trying to decide whether to keep a clothing item or give it away, ask yourself the following questions:

- Does it fit well?
- Is it fashionable?
- Is it flattering?
- Is it comfortable?
- Does it go with many of the other clothes in my wardrobe?
- Is it in good condition to wear? If not, can I make it wearable?
- Is it right for the places I go and the things I enjoy doing?
- Will I really wear it in the future?

If clothes need mending or altering, set aside a time to do the necessary work. Don't miss wearing a new skirt or pair of jeans just because you didn't take the time to have them shortened.

Sometimes clothes that are too small or out of style can be recycled or altered. A pair of jeans that have become too short can be made into a jean skirt. Jeans that have become too small can be made into a tote bag. Slacks that are too wide can be narrowed into style.

When you come across garments you really do not or cannot wear, clear them out of your closet and drawers. If the clothes are still wearable, give them to someone or some organization that will pass them along to others. Your giveaways may become someone else's favorite outfits.

The additions

The final step in wardrobe planning is to complete your wardrobe with well-planned additions. Using your current inventory as a guide, identify the gaps. Make a list of the clothes and accessories you need to fill those gaps.

Before you buy anything, study the current fashions. Look through fashion magazines and newspapers. Take a walk through clothing stores. Look at the colors and styles of clothes and the accessories used with them. Would the new colors look good with your skin and hair coloring? Would the new lines and textures be flattering to your body shape? Would you be able to coordinate the new fashions with the clothes and accessories you already have? Would the latest fashions fill the gaps in your wardrobe? (If you have enough casual clothes, don't buy another casual shirt just because it is new and different. Look for the clothes you need.) How long will the new fashions stay in style? Fashion fads are often "in" for only one season. More conservative styles tend to stay fashionable for many seasons.

While you are window shopping, make a note of the prices of the new clothes and accessories you think you might want to buy. Also consider the time and money involved in caring for the clothes you like. If your money and time are limited, look for easy-care garments. If you choose clothes that need dry cleaning, estimate how often they will need cleaning and how much it will cost.

Once you have an idea of what you would like to add to your wardrobe, it's time to look at dollars and cents. What you buy will depend largely on how much money you have to spend.

Since wardrobe planning is often done each season, you may want to set up your clothing budget on a seasonal basis. To plan a wardrobe budget, consider:

- The total amount you have to spend.
- The total amount of essential non-clothing expenses you have.
- The importance of clothing and personal appearance to you.
- The amount you want to budget for your wardrobe after meeting other essential needs.

Compare the amount you can spend to the prices you noted as you were window shopping. If you can afford everything you want, start buying! If you can't afford everything you want, start thinking. Decide which wardrobe additions are most important, and buy those first. Consider the possibility of sewing some of the clothes you need. Another alternative is bargain hunting. This type of shopping can help you save money if you know how to judge quality.

Clothes and accessories are sold at low prices at clothing warehouses, surplus stores, resale shops, and discount stores. Check the yellow pages in your phone book to see if there are any such stores in your area. Allow yourself plenty of time when you go bargain hunting. You will have to look through a lot of merchandise to find the items you want. Before you buy, check the quality of items carefully. Sometimes a low price is the sign of a real bargain. Sometimes a low price is the sign of poor quality. It's up to you to recognize the difference.

SHOPPING FOR CLOTHES

Shopping for clothes is much like shopping for anything else. You need a list or plan of what to buy, as mentioned previously. You should know what quality you need, how much you can spend, and where you should shop.

On the other hand, shopping for clothes requires some special knowledge and skills. Before you buy:

- Check the construction.
- Look to see what fibers, fabrics, and finishes have been used.
- Evaluate the fit and appearance.
- Read labels and tags to find the use and care information.

Clothing construction

The way garments are sewn can affect their appearance, fit, and durability. Poorly made garments become worn and unattractive quickly. Better quality clothes are usually more expensive, but they may be better buys. With proper care, they will look attractive much longer.

To judge construction quality, you need to see how well the seams, hems, collars, lapels, buttonholes, zippers, pockets, and other construction details are sewn. Chart 7-4 describes how these and other construction features should look in well-made clothes.

Fibers, fabrics, and finishes

Fiber content, construction methods, and finishes all affect the appearance, comfort, performance, and price of fabrics and thus clothes. A working knowledge of how fabrics are made can help you make good clothing choices.

Fiber content. Most fabrics are made from natural or manufactured fibers. Cotton, linen (flax), silk, wool, and other hair fibers such as camel's hair and cashmere are *natural fibers.* They come from plants and animals. *Manufactured fibers* include polyester, nylon, rayon, acrylic, acetate, and a host of others. Most manufactured fibers are made from chemicals. Charts 7-5 and 7-6 outline the major advantages, disadvantages, and uses of the natural and manufactured fibers commonly used in clothes.

A *blend* is made by combining two or more fibers. Blends usually have the best characteristics of the different fibers used. For example, cotton/polyester is a very common and popular blend. It combines the absorbent, comfortable properties of cotton with the wrinkle-resistant properties of polyester.

Fabric construction. The way fibers are made into fabric affects the fabric's appearance and performance. Weaving and knitting are the two most common methods of fabric construction. *Woven fabrics* are made by interlacing two or more sets of yarns at right angles. A number of weaving variations can be used to achieve special effects. Generally, weaving produces durable fabrics that hold their shape well.

Knit fabrics are made by looping yarns together. Depending on the knitting methods, many different fabrics can be made. Most knit fabrics offer natural stretch which makes them wrinkle-resistant and comfortable to wear. Closely woven and knit fabrics tend to hold their shape better than loosely woven and knit fabrics.

Finishes. A *finish* is a treatment applied to a fabric to achieve certain characteristics. Finishes can affect the appearance, comfort, durability, performance, and care of fabrics.

Finishes can affect fabric appearance by improving the color and dyeability of fabrics. They can also affect the luster, texture, and drapability of fabrics.

JUDGING QUALITY

Cut and fabric allowance. Garment pieces should be cut with the grain,* with generous fabric allowances for seams, hems, pleats, lapels, and fitting ease. Vertical yarns in sleeves should fall straight from shoulders; horizontals should run straight across. Exception: skirts cut on the bias. Design in fabrics (stripes, plaids, checks) should be matched at all seams. Check center front and back, side seams, waist, armholes, and pockets.

Seams. They should be flat, even in width, and wide enough to withstand strain and permit alteration. One-half inch is the average width, but synthetic fabrics may need more. Woven fabric edges should be pinked, overstitched, or bound with seam tape to prevent raveling. Seams at major stress points—armpits, crotch, waist, neckline—should be reinforced with a double row of stitching. Check outside seams and darts for puckering or fabric caught in stitches.

Stitching. Stitching should be short, continuous, straight, closely bound, even in length, and securely fastened at ends. Check it extra closely at the darts, linings, and zippers. Thread should be of suitable weight, color, and fiber for the fabric.

Reinforcements. Extra stitching, patches, bar tacks, metal rivets, or tape should be at points of strain. Underarm seams, openings, pleats, slits, pockets, and knees and elbows in children's play clothes should all be reinforced.

Hems. Hems should be flat, even in width, invisible on the right side, carefully finished on the inside, securely stitched, and even in length. The width of a hem varies with the type of fabric and design. It should be wide enough to let down if necessary, but not so wide that it looks bulky. The hem should be finished to prevent raveling.

Buttonholes. Buttonholes should be smooth, properly placed, and of suitable size and type for the garment. They also should be cut on grain, firmly stitched, and trimmed with no loose threads or frayed edges. Corners should be reinforced. All buttonholes should be evenly spaced.

Buttons, hooks and eyes, snaps. They should be firmly attached, properly spaced, and of suitable size and type for the garment. Before buying, make sure they are all present and accounted for. If hanging by a couple of threads, reinforce them before wearing. Better quality items often have extra buttons provided.

Trimmings and decorations. They should be suitable for the garment, well-placed, and neatly and firmly attached. All belts, buckles, buttons, and other trimmings should be able to withstand the kind of cleaning recommended for the garment itself. If this information is not provided, find out if the store will guarantee their durability.

Zippers and other closures. They should be smooth, flat, securely stitched, and of suitable type, weight, strength, and color. Try a zipper to see if it slides smoothly. The placket should be long enough to allow easy entry into the garment. Zippers should remain closed at top when stress is applied.

Linings. A lining adds body, helps retain a garment's shape, and adds to wearing comfort. Well-made clothes of all types are often completely lined. Partial linings, more frequently seen in men's jackets, are also useful around necklines, vents, and pockets. Linings should be smooth, properly inserted, of the appropriate weight and texture for the outer fabric, and require the same kind of care. The fabric should be firm and resist raveling. Stretch fabrics require linings that possess stretchability also. In suit coats and jackets, the lining should be attached at the sleeve and shoulder areas, at the armholes and side seams, and at the bottom of the sleeve. Of course, linings should never droop or shrink!

Interfacings and paddings. Interfacings are extra layers of fabric inside such areas as neck facings, cuffs, lapels, and collars and under buttons and buttonholes. They help garments hold a firm line and provide extra strength, body, and a smooth finish. Interfacings should be properly placed and inserted and should be made of materials compatible with the garment fabric and its care requirements. Shoulder pads should be soft, lightweight, and smoothly shaped. Check for puckering at the back of the sleeve and shoulders.

Pockets. They should be flat, smooth, and well-matched with reinforced corners and firmly woven linings.

Collars and lapels. Collar points should be neatly finished. The collar should be constructed so the top turns slightly over the undercollar all around the seam edges, hiding it. A collar with built-in shape should stand up, roll, or lie exactly right when purchased. It is next to impossible to change the shape after construction. Lapels should lie flat to the chest with a graceful roll and a clean-cut edge. The "V" formed by lapels should end in a soft roll at the top button.

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*Grain is the direction of lengthwise and crosswise yarns that are woven together in making a fabric. When these yarns are at right angles, fabric is said to be grain perfect. When a garment is cut on-grain, it means that the fabric is grain perfect and that pattern pieces run with or parallel to the lengthwise or crosswise yarns. Clothing cut on-grain hangs better and keeps its shape longer than garments cut off-grain. However, apparel of manufactured fibers is often cut slightly off-grain to minimize seam pucker.

MONEY MANAGEMENT INSTITUTE, HOUSEHOLD INTERNATIONAL

7-4 The way a garment is cut, sewn together, and finished affects its appearance, fit, and wearability. Evaluate clothing construction before you buy.

Finishes can make fabrics more comfortable to wear because they can provide insulation, reduce static-cling, resist water, and soften fabrics.

Fabric finishes can provide resistance to moths and mildew. They can prevent shrinking, fading, and staining. One type of finish can make fabrics flame-retardant.

Finishes also can make fabrics resist wrinkles, hold pleats and creases, and release soil.

Before buying a garment, find out it if has been treated with a finish. Some finishes require special care when being cleaned. Be sure you know how to care for the garment before you buy it. Also find out the durability of the

NATURAL FIBERS

	ADVANTAGES	DISADVANTAGES	USES
Cotton	Absorbent. Comfortable and cool to wear in warm weather. Easy to dye and print. Does not generate static electricity. Withstands high temperatures. Combines with other fibers easily.	Wrinkles easily unless treated with special finish. Shrinks in hot water unless treated. Mildews if put in damp storage area or put away damp. Weakened by wrinkle-resistant finishes and prolonged exposure to sunlight. Highly flammable unless treated with flame-retardant finish.	Underwear and outerwear, socks, jeans, shirts, dresses, blouses, coats, etc.
Linen	Strongest of natural fibers. Cool to wear—absorbs moisture from skin and dries quickly. Looks smooth and lustrous. Withstands high temperatures. Durable—withstands frequent laundering.	Wrinkles and creases easily unless treated. Shines if ironed on right side. Expensive if of good quality. Poor resistance to mildew and perspiration.	Dresses, suits, handkerchiefs.
Silk	Looks and feels smooth and luxurious. Very absorbent. Strong but lightweight. Combines well with other fibers. Resists wrinkling. Resists soil.	Usually requires dry cleaning. Yellows with age. Weakened by detergents, perspiration, and long exposure to sunlight. Attacked by insects such as silverfish. Spotted by water unless specially treated. Expensive.	Evening gowns, wedding dresses, blouses, scarves, lingerie, neckties.
Wool	Warmest of all fibers. Combines well with other fibers. Highly absorbent—absorbs moisture without feeling wet. Resists wrinkles. Retains shape well. Creases well. Durable.	Will shrink and mat when moisture and heat are applied. Usually requires dry cleaning. Burns easily. Attracts moths and carpet beetles. Expensive.	Suits, sweaters, coats, skirts, socks, outerwear.

7-5 Fabrics made from natural fibers are generally comfortable to wear.

finish. Will it last the life of the garment? Or will it have to be renewed after laundering or dry cleaning? Read labels and tags to know just what you are buying and how to care for it properly.

Here are some of the finishes you might find listed on garment labels.

Antistatic. This chemical treatment prevents the buildup of static electricity so garments will not cling to the body.

Durable-press (also called permanent press). This finish helps the fabric retain its original shape and resist wrinkling after washing and drying.

Flame-retardant. This chemical treatment prevents the fabric from supporting a flame. It works by cutting off the oxygen supply.

Mercerization. This chemical process is

FIVE COMMON MANUFACTURED FIBERS

	ADVANTAGES	DISADVANTAGES	USES
Polyester	Very strong and durable. Easy to dye. Colorfast. Retains shape well. Resistant to wrinkles, stretching, shrinking, bleach, moths, and mildew.	Nonabsorbent. Generates static electricity. Not resistant to oily stains, soil, and pilling.	Shirts, blouses, dresses, slacks, suits, lingerie, children's wear, insulated garments, permanent press garments.
Nylon	Very strong and durable. Lightweight and lustrous. Easy to dye. Drapes well. Retains shape well. Dries quickly. Resistant to moths, mildew, and oily stains.	Nonabsorbent. Generates static electricity. Not resistant to soil and pilling.	Hoisery, lingerie, underwear, dresses, raincoats, ski wear.
Rayon	Resembles cotton. Soft and comfortable to wear. Absorbent. Easy to dye. Colorfast. Drapes well. Resistant to moths and pilling.	Wrinkles easily unless treated with a special finish. Shrinks in hot water unless treated. Highly flammable unless treated.	Blouses, shirts, skirts, slacks, dresses, suits, coats, jackets, lingerie, ties, work clothes.
Acrylic	Resembles wool. Soft, warm, and lightweight. Colorfast. Retains shape well. Resistant to wrinkles, chemicals, moths, mildew, and sunlight.	Nonabsorbent. Generates static electricity. Not resistant to abrasion, pilling, stretching, and soil.	Sweaters, dresses, infant wear, slacks, ski wear, socks.
Acetate	Looks and feels soft and luxurious. Easy to dye. Drapes well. Resistant to pilling, moths, and mildew.	Nonabsorbent. Usually requires dry cleaning. Melts under high heat.	Blouses, shirts, skirts, slacks, dresses, sportswear, lingerie, linings, robes.

7-6 Fabrics made from manufactured fibers are generally strong and wrinkle-resistant.

used most often on cotton, linen, and rayon fabrics to increase luster, strength, and dyeability.

Mildew-resistant. This chemical finish helps prevent mildew from forming on fabrics.

Moth-repellent. This is a chemical treatment that can be added to wool fibers to inhibit attacks by moths and carpet beetles.

Preshrunk. Fabrics are shrunk by a heat and moisture process. When a garment is labeled "preshrunk," the consumer is guaranteed that it will not shrink more than three percent.

Sanforized.® This trademark guarantees the consumer that a fabric will not shrink more than one percent in either length or width.

Scotchguard.® This trademark refers to a finish given to fabrics to resist water and oil stains.

Soil-release. This treatment makes it possible to remove oily stains from durable-press fabrics. It makes water-resistant fibers more absorbent so detergents can release soil.

Waterproof. This finish makes a fabric completely resistant to water and air passage. Fabrics with this finish are often uncomfortable to wear.

Water-repellent. This applied finish makes a fabric resistant to wetting but does not make the fabric waterproof. It cannot resist heavy rain. The finish must be renewed after several launderings.

Fit and appearance

Garments that look great on the hanger or shelf may not be the right size or style for you. The only way to really know if a garment fits and looks right is to try it on. See 7-7. When possible, try on clothes with the other garments and accessories you plan to wear with them. By having on the right shoes, you can check to see if the hem is the proper length. You can also check to see if the accessories you have will match the new garment.

With the garment on, stand, sit, move, and stretch to see how comfortable the garment is and how well it fits. Check your overall appearance from the front, side, and rear views.

7-7 Always try on clothes to see how they look and fit on you.

If the garment fits well, it will not bind, wrinkle, or pucker.

The way a garment looks on you is just as important as the way it fits. Look for colors, lines, and textures that flatter your body shape and complement the color of your hair, skin, and eyes. The color, line, and texture of clothes and accessories can make you look thinner or heavier; shorter or taller. They can also accentuate your positive features and deemphasize the negative ones. Chart 7-8 can help you select the lines, colors, and textures that will be most flattering to you.

Labels and legislation

The labels and tags on clothes provide a lot of information. Most labels identify the manufacturer, designer, or seller; the name of the country where the garment was made; and the fiber content. If a special finish has been applied to the fabric, it is usually listed. Labels also give care instructions, size information, and of course, prices.

Much of the information listed on labels of clothing and other textile products is required by law. Some facts are provided voluntarily by manufacturers or sellers. There are many laws and regulations that govern the labeling, marketing, and safety of clothing and textile products. Four of the most important laws and regulations are described in 7-9.

Buying footwear

Comfort is the key word to remember when buying footwear. The most stylish, well-constructed shoes will be worthless if they don't fit. Buying comfortable shoes can help you avoid foot problems and aching feet.

CREATE THE LOOK YOU WANT
THROUGH COLOR, LINE, AND TEXTURE

LOOK THINNER WITH: • Cool colors (colors related to blue and green). • Dark, dull colors. • Vertical lines. • Smooth, non-lustrous, medium weight textures. • Subtle prints, checks, and plaids. • Clothes that skim the body and don't fit tight. • A simple, uncluttered appearance. • Thin shapes and narrow widths in coats, sleeves, collars, trousers, and belts.	**LOOK HEAVIER WITH:** • Warm colors (colors related to red, orange, and yellow). • Bright, light colors. • Horizontal lines. • Nubby, bulky, or stiff textures with surface interest. • Bold prints, checks, and plaids. • Full sleeves, wide-leg trousers, large pleats, and gathers. • Wide contrasting belts.
LOOK TALLER WITH: • One color or related color tones. • Vertical lines. • Designs, lines, and trims that lead the eye up instead of down. • Narrow, uncuffed trousers. • Emphasis at or above the neckline.	**LOOK SHORTER WITH:** • Bright, contrasting colors. • Horizontal lines. • Designs, lines, or trims that lead the eye down instead of up. • Wide, cuffed trousers. • Emphasis below the waist or at the feet.
ACCENTUATE POSITIVE FEATURES WITH: • Warm, bright, light colors. • Lines that lead the eye to your best features. • Fabrics and textures that emphasize your best features.	**DEEMPHASIZE NEGATIVE FEATURES WITH:** • Cool, dark, dull colors. • Lines that lead the eye away from poor features. • Fabrics and textures that hide or cover poor features.

7-8 The color, line, and texture of clothes can help you highlight your attractive features and deemphasize your negative features.

Don't rely on shoe sizes when buying shoes. Always try shoes on to check their fit. Sizes can vary slightly because of the shoe style or brand. When properly fitted, the entire shoe should fit snugly without being tight. Shoes should not slip or pinch your feet when sitting, standing, or walking. If you can't move your toes freely, you probably need a different size or width.

Before buying shoes and boots, examine the construction. Are they stitched well and lined smoothly? Are the shoes made of soft, durable, flexible materials?

The materials used to make shoes can also affect comfort. Feet need to "breathe" inside a shoe to keep feet dry and comfortable. Open shoes and shoes made of leather allow air to circulate around the foot. Plastic, vinyl, and rubber shoes don't allow feet to breathe very well.

As a rule, buy the best quality footwear you can afford. In addition to comfort and quality, consider the style of shoe or boot. Choose a color and style that will look nice on your feet and will be fashionable for more than one season. Also select shoes that will go well with the clothes you have and will be easy to clean and maintain.

Buying accessories

Accessories, in general, are less expensive wardrobe items that can add variety to a wardrobe, 7-10. Sometimes a new necktie, a different belt, or bright jewelry can create a new outfit or update an old one.

Before buying an accessory, consider your wardrobe needs. Think about the color, size, and style of the accessory you need to complement the clothes you have.

Be sure to choose an accessory that will be appropriate for the style of clothing you are wearing. For example, a sporty belt looks best with sporty clothes. A dressy belt looks best with dressy clothes.

REGULATIONS GOVERNING CLOTHING AND TEXTILE PRODUCTS

Wool Products Labeling Act	This act requires products containing wool to be labeled with the percentage and type of wool to protect producers and consumers from misbranding and false advertising. This act is enforced by the Federal Trade Commission.
Textile Fiber Products Identification Act	This act requires textile products to be labeled with the fiber content and the percentage of each fiber present. The name or identification of the manufacturer and the country of origin, if the item is imported, must also be listed. This is required for wearing apparel, accessories, and textile products used in the home such as draperies, upholstered furniture, linens, and bedding. This act is enforced by the Federal Trade Commission.
Permanent Care Labeling Rule	This rule requires manufacturers to attach permanent care labels to apparel so consumers will know the best way to clean a garment. Fabrics, draperies, curtains, slipcovers, upholstered furniture, carpets, and rugs must also be labeled with care instructions. This rule is enforced by the Federal Trade Commission.
Flammable Fabrics Act	This act sets flammability standards for children's sleepwear, general wearing apparel, carpets, rugs, and mattresses to protect consumers from unreasonable fire risks. This act is enforced by the Consumer Product Safety Commission.

7-9 These are the major laws that regulate the labeling, marketing, and safety of clothing and textile products.

Keep in mind that it may be more economical to buy one accessory of high quality. Buying a fine leather belt in a basic color and style may be better than buying several low quality belts.

Also consider fashion styles. Are narrow neckties in fashion? Are wide belts out? However, don't compromise your appearance just to be fashionable. If wide belts are "in" but a wide belt doesn't look good on your figure, buy a narrow belt. Accessories should be in scale with your body size and with your outfit.

Case Studies

TINA BUYS A MISTAKE

Tina is searching her closet for something to wear to a school party. Normally, she gives little thought to clothes, but she is concerned about this party because Tom has asked her to go with him. This is Tina's first date, and she wants to look her best. But what can she wear? Nothing in her closet is right. Tina decides that she must have a new outfit. She has $45 saved from last year's paper route. With money in hand, Tina goes shopping.

In the store where Tina usually buys clothes, she tries on several outfits, but none appeal to her. Tina then goes to another store, one in which she has never shopped before. The clothes in this store cost more than Tina normally spends for clothes. However, she sees some beautiful things. A smiling salesclerk asks Tina what type of outfit she wants, but Tina isn't really sure. She tells the clerk she will know it when she sees it. The clerk is very helpful. She brings out several dresses, all of which cost more than Tina can afford. Since the salesclerk is so persistent, Tina feels obliged to try on at least one or two of the dresses.

One dress of lightweight wool in deep purple with black velvet trim seems to be made for Tina. It is truly lovely. The salesclerk insists that Tina must have it. Not knowing how to say no to the woman, Tina agrees to buy the $65 dress. It takes all of her $45 plus another $20. The store agrees to let her pay the remaining $20 over the next two months.

When Tina arrives home with her costly purchase, she is almost sick. The dress is longer than her only coat. It doesn't go with any shoes she has. And everyone else plans to wear more casual clothes to the party.

Questions to discuss

1. Have you ever let a salesclerk talk you into buying something you really did not want to buy?
2. How might Tina have avoided her expensive mistake?
3. What information would you want to know about a store before buying something from that store?
4. Where could Tina have found information and ideas that might have helped her make a better choice?
5. What can Tina do about her mistake?

WANDA IS IN A HURRY

Wanda is always busy. Besides classes, she has play practice, band practice, homework, and a part-time job. She never has much time for shopping, so she takes shortcuts whenever she can.

Last month Wanda bought an expensive raincoat on sale at 30 percent off. As usual, she was in a hurry. She slipped the coat on over the jeans she was wearing. It seemed to fit and the price was right, so she bought the coat.

A week later Wanda was dressing for a special date. When she put on her new raincoat, she realized that the coat was much shorter than her dress. The mismatched hem lengths did not look very good, but there was nothing Wanda could do. The dress was the right length, and the coat could not be lengthened.

Questions to discuss

1. How could Wanda have avoided this problem?
2. What are some precautions to keep in mind when buying clothes on sale?
3. What are some practical shortcuts you can take when you don't have much time to shop for clothes?

CARING FOR CLOTHES

Taking proper care of clothes will help clothes look better and last longer. Clothes that are clean, neatly pressed, and mended will also enhance your appearance. Spending a few dollars on clothing care will help you benefit more from the many dollars you spend on clothing purchases.

Routine care

Caring for clothes on a routine basis will keep clothes and accessories in good condition and ready to wear. Simple things, like dressing and undressing carefully, can help you avoid snagging, ripping, or stretching garments.

After wearing clothes, check to see if they need cleaning, pressing, or mending. Sometimes, garments may only need to be brushed with a clothes brush to remove lint and dust. If clothes do not need cleaning, air them in an open room before returning them to the closet or drawer.

Remember to protect clothes with aprons or napkins when you are cooking or eating.

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7-10 Accessories—hats, belts, purses, and jewelry—can be used to create many different outfits. Try to buy accessories that can be used with a variety of clothes.

Wear old clothes for tough, dirty jobs to avoid ruining good clothes.

Also avoid overstuffing pockets and handbags. This can cause pockets and handbags to come unstitched or stretched out of shape.

Storing clothes

To care for clothes properly, you need to store them properly. Hang clothes straight on sturdy hangers with zippers closed and buttons fastened. Fold sweaters and knit garments neatly and store them in drawers. Avoid overcrowding closets and drawers so clothes will not be wrinkled.

Periodically, clean and organize closets and drawers. This will keep clothes free from dust and make them easy to find. The beginning of each season, when you make a clothing inventory, is a good time for this.

Before storing out-of-season clothes, always clean and mend them. Remember to check pockets and empty them. Don't store clothes in damp areas such as basements because they could mildew or become musty.

Plastic bags, garment bags, and cardboard boxes are good to use for storing clothes. When storing woolens, you may want to spray them with moth repellents or store them in mothballs. This will prevent moths from damaging the clothes.

Laundering

Cleaning clothes properly is simply a matter of reading. If you follow the directions on clothing care labels, laundry products, and washers and dryers, clothes can continue to look nice after many washings, 7-11.

Preparing items to be washed is the first step in home laundering. Empty all pockets, fasten closures, make necessary repairs, and remove any non-washable trims. Also remove stains and pretreat heavily soiled clothes before washing.

Sorting clothes comes next. The purpose of sorting is to separate items which could damage other clothes. For best results, wash similar colors and fabrics together. For example, wash dark clothes with dark colors, whites with whites, and delicates with delicates.

As you may have noticed in stores, there are many kinds of laundry products. Choose only the products you need, and follow the package directions carefully. Liquid or powder soaps and detergents are the basic laundry products. Bleaches may be used to remove stains or to whiten and brighten clothes. Since chlorine bleaches are made of strong chemicals, they cannot be used to wash all garments. Garments that cannot withstand bleaching will be labeled "No Bleach."

Fabric softeners may be added to the rinse cycle to make fabrics soft and to reduce wrinkles and static electricity. Again, follow the directions when using fabric softeners. Sheet fabric softeners are also available to use in the dryer.

Before washing clothes, make sure you select a wash cycle that is suitable for the clothes you are washing. Wash delicate items on a delicate or gentle cycle. Wash permanent press on the permanent press cycle. All other items can be washed on the normal cycle. Select water temperature according to the care labels.

When drying clothes in an automatic dryer, select the cycle that will be best for the clothes you are drying. If you do not know which cycle to use, read the directions that came with the dryer. Whatever cycle you use, be sure to remove clothes as soon as they are dry. This will prevent wrinkling.

Some care labels may recommend other drying methods such as drip-drying on a hanger or flat drying on a towel. Be sure you use the correct method for all the clothes you wash.

Dry cleaning

Clothes that require dry cleaning may be taken to a coin-operated dry cleaning center or to a professional dry cleaner. Using the coin-operated machines is less expensive than professional dry cleaning. However, dry cleaning clothes yourself takes more of your time and effort. Plus, you don't have the advantage of having clothes professionally pressed.

Professional dry cleaners do all the work for you. They can often remove spots and stains that you may have difficulty removing at home. Dry cleaners can add sizing to a garment to give it more body. They can restore a water-repellent finish to a garment after cleaning. Dry cleaners may also offer additional services such as collecting and delivering clothes and altering clothes.

CLOTHING CARE LABELS

HOME DRYING	TUMBLE DRY	Dry in tumble dryer at specified setting—high, medium, low, or no heat.
	TUMBLE DRY REMOVE PROMPTLY	Same as above, but in absence of cool-down cycle remove at once when tumbling stops.
	DRIP DRY	Hang wet and allow to dry with hand shaping only.
	LINE DRY	Hang damp and allow to dry.
	NO WRING NO TWIST	Hang dry, drip dry or dry flat only. Handle to prevent wrinkles and distortion.
	DRY FLAT	Lay garment on flat surface.
	BLOCK TO DRY	Maintain original size and shape while drying.
IRONING OR PRESSING	COOL IRON	Set iron at lowest setting.
	WARM IRON	Set iron at medium setting.
	HOT IRON	Set iron at hot setting.
	DO NOT IRON	Do not iron or press with heat.
	STEAM IRON	Iron or press with steam.
	IRON DAMP	Dampen garment before ironing.
MISCELLANEOUS	DRY-CLEAN ONLY	Garment should be dry-cleaned only, including self-service.
	PROFESSIONALLY DRY-CLEAN ONLY	Do not use self-service dry cleaning.
	NO DRY-CLEAN	Use recommended care instructions. No dry cleaning.
MACHINE WASHING	MACHINE WASH	Wash, bleach, dry, and press by any customary method including commercial laundering and dry cleaning.
	HOME LAUNDER ONLY	Same as above but do not use commercial laundering.
	NO CHLORINE BLEACH	Do not use chlorine bleach. Oxygen bleach may be used.
	NO BLEACH	Do not use any type of bleach.
	COLD WASH COLD RINSE	Use cold water from tap or cold washing machine setting.
	WARM WASH WARM RINSE	Use warm water or warm washing machine setting.
	HOT WASH	Use hot water or hot washing machine setting.
	NO SPIN	Remove washload before final machine spin cycle.
	DELICATE CYCLE GENTLE CYCLE	Use appropriate machine setting; otherwise wash by hand.
	DURABLE PRESS CYCLE PERMANENT PRESS CYCLE	Use appropriate machine setting; otherwise use warm wash, cold rinse, and short spin cycle.
	WASH SEPARATELY	Wash alone or with like colors.
NON-MACHINE WASHING	HAND WASH	Launder only by hand in luke warm (hand comfortable) water. May be bleached. May be dry-cleaned.
	HAND WASH ONLY	Same as above, but do not dry clean.
	HAND WASH SEPARATELY	Hand wash alone or with like colors.
	NO BLEACH	Do not use bleach.
	DAMP WIPE	Surface clean with damp cloth or sponge.

U.S. BORAX

7-11 Care instructions on garment labels tell you how to care for clothes properly. Here is a list of different care instructions and what they mean.

to Know

accessories
blend
finish
knit fabrics
manufactured fibers
natural fibers
wardrobe inventory
wardrobe plan
woven fabrics

to Review

1. Name four ways clothes can express your personality.
2. What are the three major steps involved in wardrobe planning?
3. What does a wardrobe inventory include?
4. What can you sometimes do with clothes that have become too small or out of style instead of give them away?
5. What needs to be considered when establishing a wardrobe budget?
6. Where are clothes and accessories sold at low prices?
7. What should you check before buying clothes?
8. Name at least five clothing features you should check for quality construction.
9. Why should you try on clothes before you buy them?
10. What is the purpose of permanent care labels on clothes?
11. True or false. As a rule, always buy the best quality footwear you can afford.
12. What should you consider when buying an accessory?
13. List four ways you can care for clothes on a routine basis.
14. What is the major advantage of dry cleaning clothes yourself in coin-operated machines instead of taking them to a professional dry cleaner?

to Discuss

1. How can the clothes you're wearing influence a person's first impression of you?
2. How does the way people dress relate to:
   a. The way they feel about themselves?
   b. The way others feel about them?
   c. Their popularity?
   d. Their success on the job?
   e. Their approval and acceptance by friends, parents, teachers, and employers?
3. What clothes or outfits do you like most in your wardrobe? Why do you like them the best?
4. Why should you identify your wardrobe needs and establish a wardrobe budget before shopping for clothes?
5. What do you need to consider before making additions to your wardrobe?
6. What colors, lines, and textures look best on you? What clothes should you wear to flatter your body shape and accentuate your positive features?
7. How fashion-conscious are you? How much importance do you place on fashion when buying clothes?
8. How important is quality clothing construction to you? Would you rather have fewer clothes of very good quality or more clothes of lesser quality?
9. Before buying, what should you find out about a fabric or a garment that has been treated with a special finish such as a water-repellent finish?
10. What do you need to consider when buying footwear?
11. How should you store out-of-season clothes properly?
12. What problems have you ever had with clothing care? Were you able to solve the problems successfully?

to Do

1. Plan two trips to the same store to shop for the same item in the same department. Shop at a store where you are not known and at a time when stores will not be crowded. On one shopping trip, wear your most presentable street clothes. On the other trip, dress in a very casual outfit. Compare the two experiences. What differences did you notice in the way you felt? In the way salespeople treated you? In the way other shoppers reacted to you? How might

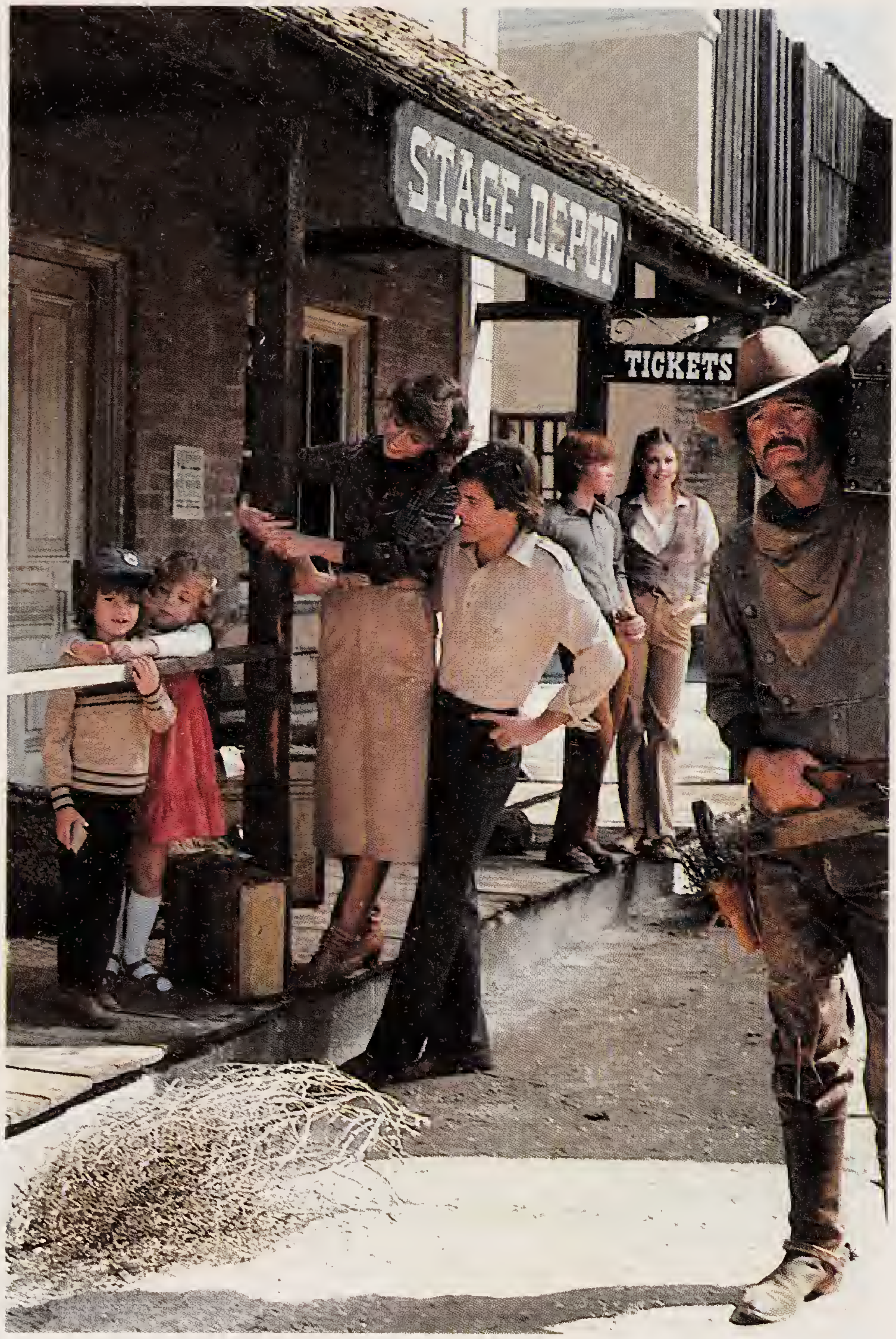
this experiment work with:

  a. A job interview?
  b. A first date?
  c. The first day in a new school?
  d. The first day on a new job?
  e. Other social situations?

2. Select five different types of clothing for comparison shopping. Shop for each of the five items in clothing stores, shoe stores, discount stores, clothing outlets, department stores, and catalogs. Compare the price, quality, selection, and styles of like items. Also compare the services and policies of the places you shopped. In a short oral report, tell the class which places offered the best price, quality, selection, styles, services, and store policies.

3. Compare the cost of buying a shirt at a store where you usually shop to the cost of having a similar shirt made by yourself or someone else. What is the cost difference? How much time would you spend shopping for the shirt as compared to the time you would spend having the shirt made?

4. What is the cost difference between taking three pairs of wool trousers to a professional dry cleaner or dry cleaning the trousers yourself at a coin-operated dry cleaning center?



When people plan their clothing purchases and care for their clothes properly, they can look great anytime, anywhere—even on vacation in the "Old West."

SEARS, ROEBUCK & CO.

8

How you look and feel

After studying this chapter, you will be able to:

- ☐ Evaluate and choose the grooming aids, appliances, and services you need.
- ☐ Select qualified health care professionals and evaluate the quality of care provided by hospitals.
- ☐ Describe the different government health care programs and the three major types of health insurance coverage.
- ☐ Plan and manage your money and time to pursue the leisure activities you enjoy most.

When you look and feel your best, you get more out of life. Developing good grooming and health habits is the first step in improving the way you look and feel. Getting your fair share of good fun helps too.

This chapter outlines the basics of an overall grooming and health care program that will help you look and feel good. It also presents suggestions to help you get more satisfaction from your leisure hours and recreation dollars.

LOOKING GOOD

It is difficult to separate the way you look from the way you feel. When you look good, you feel better. When you feel in top shape, you look better. It is also difficult to separate a "good looks" program from a "good health" program. Here are ten keys to looking and feeling great at every age of your life:

- Correct body posture and a pleasant facial expression.
- Adequate sleep, rest, and relaxation.
- Regular exercise and physical activity.
- Good medical and dental care.
- A well-balanced, nutritious diet.
- Attention to cleanliness and grooming.

- A good measure of personal challenge and achievement.
- A positive mental attitude.
- Fun and entertainment.
- True friends.

It is nearly impossible to look and feel your best without a balanced approach to these ten areas. Yet thousands of people continually ignore one or more of these basics. At the same time, they spend billions of dollars on countless products that promise effortless beauty and health. Not all of these dollars are wasted. Many products are helpful, and some are really necessary. The point is that consumers should think before spending money on beauty and health products. This is especially true for teenagers, since they generally spend a large percentage of their income for personal care products.

Have you thought about how much you spend to improve your looks and enhance nature's work? An inventory of your personal care products will help you find out how much you have invested. Chart 8-1 may help you recall all the products you have. Design a similar chart on a separate piece of paper. Beside each product, list the brand name, its price, and its effectiveness. Then total the price column to see how much you are spending. Do you feel you are getting your money's worth? Which products are giving you the most and least satisfaction? Your inventory can be your guide for future purchases.

Selecting grooming aids

When you buy a grooming aid, keep in mind these four questions: Is it safe to use? Will it work? Is it a good buy? Do I need it?

As you shop, read labels to compare the contents and prices of different products and brands. Also read how to use the product to make sure you understand the directions before you buy.

Avoid buying a product that may irritate your skin. For your own safety, keep a record of bad reactions you have from different products. If you have a serious reaction to a specific product, report the name of the product and its manufacturer to the *Food and Drug Administration* (FDA). The FDA is a government agency that assures consumers that cosmetics, drugs, and foods on the market are properly labeled and safe. The FDA will investigate products that cause unusual reactions and will take corrective action if necessary.

Choose personal care products according to your skin and hair type. For example, if you know you have oily skin, buy products that are made for oily skin. See 8-2.

Look for special prices and sales on products you have tried and want to use again. Avoid buying sets of makeup, colognes, and other grooming aids unless you plan to use every product in the set. Buy a small, sample size of a product you have never tried before to see if you will like using it.

If you are dissatisfied with a product or a product does not meet specific advertising claims, return it. Some products have a money back guarantee.

Cosmetics, safety, and the law

The government defines cosmetics as articles which may be "rubbed, poured, sprinkled, or sprayed on the body for cleansing, beautifying, or altering the body's appearance." Both women and men use a wide variety of cosmetic products.

Reputable cosmetic manufacturers test products thoroughly before marketing. They test for safety to provide consumers with safe, effective products. They also test cosmetics for consumer appeal. Cosmetic manufacturers want to please consumers and keep them coming back for more.

The Food and Drug Administration (FDA) has the power to require manufacturers who do not test a product for safety to place a warning on the product label. The warning reads: "The safety of this product has not been determined." The FDA also has the authority to ban unsafe or misbranded cosmetics. However, the agency must first prove, beyond a doubt, that the product is unsafe or misbranded.

Certainly, it would make no sense for reputable, established companies to take

GROOMING AID INVENTORY

PRODUCT	BRAND NAME	PRICE	EFFECTIVENESS
For the hair Shampoo Conditioner Setting aid Hair spray Home permanent Other:__________			
For the face Cleanser Soap Astringent Acne aid Shaving cream Shaving lotion Moisturizer Makeup base Blusher Lipstick Other:__________			
For the eyes Eye drops Eyeliner Eye shadow Mascara Eyebrow pencil Eye makeup remover Other:__________			
For the mouth Toothpaste Dental floss Mouthwash Other:__________			
For the hands Hand lotion Cuticle remover Nail polish Nail polish remover Other:__________			
For the body Soap Bath oil Lotion Powder Deodorant Cologne Sunning preparation Cotton balls Cotton swabs Other:__________			

8-1 After completing this inventory, you may be surprised by the number of grooming aids you have.

chances with consumer safety. Unfortunately, there are some fly-by-night companies that make exaggerated claims for untested cosmetics in an attempt to make quick sales and profits. By the time their products are found unsafe or ineffective, the companies no longer exist. To protect yourself from this type of rip-off, find out about the manufacturer as well as the product before you buy.

Product labels can be helpful buying guides. The FDA requires labels to list the name and address of the manufacturer or distributor, the net contents, and the ingredients. There are exceptions to this rule. Bona fide trade secrets of the manufacturer do not have to be revealed.

You should know that cosmetics labeled hypoallergenic are not necessarily safe for persons with allergies. A *hypoallergenic* product is simply one that does not contain ingredients that are likely to cause allergic reactions. There is no way of producing a cosmetic that is totally nonallergenic.

Although the FDA does try to keep unsafe cosmetics off the market, your safety is up to you. Most cosmetics are safe for most people. However, adverse reactions to cosmetics are not uncommon. You can increase your margin of safety by choosing and using cosmetics carefully, 8-3.

Selecting grooming appliances

In addition to the cosmetics and grooming aids consumers buy, they also buy many grooming appliances. These include blow dryers, curling irons, electric curlers, electric shavers, electric toothbrushes, lighted makeup mirrors, body massagers, and shower massagers. There are many brand names, features, and prices of each. The money you spend on grooming appliances will bring you greater satisfaction if you know how to make the best choices for your wants and needs.

Before buying an appliance, make sure you really need it and will use it. Check to see if you have enough space to use and store the appliance. Having storage space near an electrical outlet will make the appliance more convenient for you to use.

When shopping for an appliance, look closely at the product features. Don't pay extra for features you won't use. Also, make sure you can use the appliance with ease. For example, if you are buying a blow dryer, check the weight and size of the dryer. Buy one that is light enough for you to handle and control easily.

Always look for the manufacturer's name. Make sure the appliance is made by a reputable company and sold by a reliable retailer. Any appliance produced by a reputable manufacturer should carry the Underwriters Laboratories symbol. This symbol tells you that the appliance meets the standards for electrical safety.

Be sure to check the appliance warranty. Find out exactly what is guaranteed, how long it is guaranteed, and what you must do to get service. Also ask if service and parts for the appliance will be available, if needed, after the warranty period.

Of course, price is an important factor to consider when choosing appliances. Compare prices of similar appliances that have the same

TUPPERWARE® HOME PARTIES

8-2 To look your best, use personal care products that are appropriate for your skin and hair type.

features. Select a quality appliance at a price you can afford.

Once you have selected an appliance, it is up to you to use it safely and maintain it properly. Follow the guidelines in 8-4 when using grooming appliances.

Buying grooming services

Grooming services include shampoos, haircuts, permanents, facials, body massages, manicures, and pedicures. Buying a service is different from buying a cosmetic or grooming appliance because you can't see what you are getting.

Before you buy a grooming service, always check the qualifications and experience of the person performing the service for you. Ask other customers if they were satisfied with the services they received.

Try to find a person who will provide the grooming service you want at a price you can afford. If you continue using the same person, that person will better understand your needs and preferences and continue to try to please you.

When deciding where to get a haircut or any type of service, consider the location of the service and the hours it is available. Also consider promptness, cleanliness, and other factors that may be important to you.

USE COSMETICS SAFELY

1. Read labels for information on ingredients, purposes, and uses of products.
2. Follow the use and care directions exactly.
3. Stop using any cosmetic that causes irritation. If irritation continues or becomes serious, see a doctor and take the cosmetic with you.
4. Keep cosmetic products and containers clean. Wash your hands thoroughly before applying cosmetics.
5. Finish using one container of a cosmetic before opening a new container. Avoid using old, stale cosmetics which may have become contaminated.
6. Do not share or borrow cosmetics; another person's bacteria may be harmful to you.
7. Avoid using cosmetics on irritated or infected areas unless it is a medicated product intended to aid healing.
8. Use clean water to moisten a cake (dry) cosmetic; do not spit into a cosmetic. Bacteria in saliva may contaminate the cosmetic and cause infection.
9. Be sure to do a "patch test" according to directions when products call for one. These tests are generally recommended before using cosmetics that could cause irritation, particularly hair coloring products.
10. Close cosmetic containers after each use to prevent contamination.
11. Promptly report any serious reactions you have to a cosmetic to the FDA and to the manufacturer.
12. Keep cosmetics away from small children; misuse of cosmetics may be hazardous.

8-3 These guidelines can help you use and store cosmetics safely.

USE APPLIANCES SAFELY

1. Read the manufacturer's use and care instructions before using an appliance, and follow the directions carefully.
2. Use and store electrical appliances away from water.
3. Turn off appliances before connecting or disconnecting them. Be sure to disconnect them by pulling the plug—not the cord.
4. Disconnect any appliance that gives a shock, and have it checked and repaired before using it again.
5. Keep electrical cords and plugs in good repair. Avoid coiling cords tightly for storage.
6. Do not loop or coil cords to shorten them. Buy shorter cords instead.
7. Check the wattage rating stamped on appliances. Avoid connecting more than 1600 watts on any single electrical circuit.

8-4 Keep safety in mind when using grooming appliances.

Be sure to ask about prices, and find out what the prices include. For example, does the price of a haircut include a shampoo and styling? Will you be expected to leave a tip? Find out all the details to avoid financial surprises.

Case Studies

WHAT'S IN A FACE?

Gloria spends an hour and a half getting ready for school every day. She starts with her hair. She shampoos, blow dries, and styles it every morning. Next comes the face—makeup for the skin, eyes, and lips. The top of her dresser is covered with bottles, jars, and tubes of cosmetics. She tries every sample offer and keeps a full stock of her favorites.

Gloria also has a number of grooming appliances. She has a blow dryer, curling iron, electric manicure set, and lighted makeup mirror. She wants to buy more, but storage is becoming a problem.

Gloria and some of her friends, who also like to experiment with cosmetics, used to get together for makeup sessions. The sessions were always at Gloria's home because she had the best selection of cosmetics. The girls happily passed jars and bottles of cosmetics from one to the other to see how they could change their looks.

The makeup sessions came to an abrupt end when all the girls developed the same skin infection. It happened shortly after one of their makeup sessions. None of them could wear any makeup until the infection cleared. For Gloria, no makeup was like a death sentence. On top of that, she had to get rid of her storehouse of cosmetics. They became contaminated when she and her friends mixed one with another and failed to replace the tops on several of the containers. Gloria has had to spend a lot of time and money replacing all her cosmetics.

Questions to discuss

1. How do you feel about Gloria's love of cosmetics and grooming appliances?
2. Do you like to experiment with cosmetics and grooming aids?
3. How much do you think Gloria spends to maintain her storehouse of cosmetics and grooming appliances?
4. How could Gloria and her friends have avoided the skin infection?
5. How would you describe a balanced approach to buying and using cosmetics and grooming appliances?

GIRL PLEASER

Fifteen-year-old Walt is in love at last—not with *a* girl but with *all* girls! He thinks females are great, and he wants all girls to return his affection.

With his new interest in the opposite sex, Walt is giving more time and attention to the way he looks. His collection of grooming aids is growing. He has a number of toothpastes, mouthwashes, hair sprays, shampoos, and deodorants. He has just bought a blow dryer with styling combs and brushes. This will help him keep his new, expensive haircut looking stylish.

Frankly, Walt is looking pretty good. When one or two girls start noticing him, Walt knows this is the start of something great. All of this makes Walt ripe for the "girl pleaser" ads selling Manly Scent cologne. This cologne is guaranteed to attract girls, so Walt rushes out to buy a bottle.

Unfortunately, the more Manly Scent Walt uses, the weaker its drawing power becomes. The girls do not exactly flock to Walt's side. In fact, many of them seem to move a few steps away when he comes close.

Questions to discuss

1. To what extent do you think Walt's use of grooming aids made him more attractive to girls?
2. What part do you think grooming aids play in making people attractive to the opposite sex?
3. How do you think perfumes and colognes can help or hinder success with the opposite sex?
4. Why do you think advertisers often use a sex appeal approach when selling

cosmetics and grooming aids? Do you think this type of advertising is misleading? Believable? Effective in selling products? Why?

BALD IS NOT BEAUTIFUL

Emily was a pretty high school junior until her hair started falling out by the handful. Fortunately, this is not a permanent condition. She can wear a wig until her hair grows back again. Still, Emily has had a pretty "hairy" experience. Here's how it happened.

Emily wanted to change from a brunette to a blonde just as a friend of hers had done recently. She used the same product her friend had used. Emily did not bother to do a patch test or follow the manufacturer's directions. Instead, she simply followed her friend's directions—with disastrous results. The product had done wonders for Emily's friend, but it caused an allergic reaction for Emily.

The reaction began with a rash on Emily's neck and ended with her hair falling out. At first, Emily looked so awful she refused to go to school. Her parents took her to a dermatologist who managed to clear up the rash. Emily's mother bought her a wig to improve her appearance while her hair grows back again. All in all, it was a very costly and painful experience.

Questions to discuss

1. What experience have people you know had with adverse reactions to cosmetic products? What did they do about it?
2. What would you do in Emily's situation? Would you complain to the manufacturer of the product? Would you file a complaint with the FDA? Would you learn a lesson about using cosmetic products?
3. How might problems like Emily's be avoided? To what extent was Emily to blame for not doing a patch test and following directions?
4. What are some solutions to the problems of marketing a product that may be hazardous for some consumers but useful to other consumers?
5. What do you think manufacturers should do to warn the public about potentially hazardous products?

STAYING HEALTHY

Staying healthy is largely up to you. Taking care of yourself is the key to avoiding many health problems. Regular physical and dental checkups may help you avoid serious illnesses or at least identify them in their early stages. It is your responsibility to get medical attention when you need it. Knowing how to select health care professionals and evaluate hospitals can help you make wise health care decisions.

Selecting health care professionals

The best time to choose a physician, dentist, or medical specialist is when you are well and healthy. Most families go to a family physician or general practitioner for medical attention. A *physician* or *general practitioner* is trained in all phases of medicine to treat a variety of illnesses. When a specific health problem arises, you may need to consult a specialist. A *specialist* is a physician who has had additional education and training in a particular branch of medicine. Chart 8-5 describes some of the many medical and dental specialists. These physicians and dentists are fully qualified and licensed to provide complete medical or dental care as well as care within their special fields.

A physician or specialist is a doctor of medicine, or M.D. A doctor of osteopathy is called an osteopath or D.O. *Osteopaths* are qualified and licensed to provide complete medical care just like medical doctors. Training and courses taught in schools of osteopathy and schools of medicine are similar. However, osteopathic medicine is based on a philosophy of treating the whole patient. The D.O. is trained to consider the mental and emotional health as well as the physical health of a patient. If you choose an osteopath for your doctor, make sure that doctor has hospital privileges in your area.

Osteopathic hospitals are scarce in some parts of the country.

Chiropractors, optometrists, podiatrists, and psychologists are other health care professionals. They provide limited health care services. A *chiropractor* treats certain illnesses related to abnormal nerve functions by manipulating certain body structures such as the spinal column. An *optometrist* tests eyes for vision defects and prescribes corrective glasses and contact lenses. A *podiatrist*, also called a *chiropodist,* treats minor foot ailments. A *psychologist* diagnoses and treats mental and emotional problems and learning difficulties. Licensing requirements for practitioners in these fields vary from state to state. Do not rely on these doctors for medical advice beyond their limited fields.

When choosing a health care professional, select a well qualified person with qualifications such as these:

- Graduated from an approved medical, osteopathic, or dental school.
- Licensed to practice in your state.
- Accepted as a member of one or more local, state, and national professional societies and associations.
- Affiliated with a local hospital.
- Established in a medical practice with a good reputation among patients and fellow professionals.

If you have any questions about a doctor's professional experience or qualifications, don't hesitate to ask questions. It's your health at stake. You should feel confident in the doctor you choose, 8-6.

One of the best ways to find qualified doctors is to ask friends, relatives, or co-workers for recommendations. When someone you know and trust is satisfied with a physician, that can be a good recommendation. If you move to a new area, your former doctor may be able to refer you to a doctor near your new location.

A local medical society or affiliate of the American Medical Association can also help you locate a qualified doctor. If a medical school is located in the area, administrators there can provide you with a list of faculty doctors and graduates who practice in the area.

Before you make a decision about a doctor, find out what services and procedures are performed in the office and the cost of each. Some doctors' offices are not equipped to take X rays or perform other tests that require special equipment. You may have to go to a hospital to have such tests done. That will often cost extra. Ask about all of these charges plus fees for routine office visits and complete physicals.

When choosing a doctor, also consider the location of the office, the office hours, and the backup staff available in the doctor's absence. If you have any special medical needs, make sure the doctor you choose can meet them.

Evaluating hospitals

If you need hospital care, your doctor will usually determine where you will be hospitalized. Therefore, you may want to consider the hospitals in your area as you choose a doctor. To determine the quality and type of care a hospital provides, look for the answers to the following questions.

Is the hospital accredited by the Joint Commission on Accreditation of Hospitals or by the American Osteopathic Association? An accredited hospital provides health care according to certain quality standards.

Who owns or finances the hospital? Is it a *nonprofit hospital,* supported by patient fees, contributions, and endowments? It is a *proprietary hospital,* owned by individuals or stockholders and operated for profit? Or is it a *government-supported hospital,* operated with local, state, or federal funds? Ownership can make a difference in the eligibility for treatment, the services offered, and the charges.

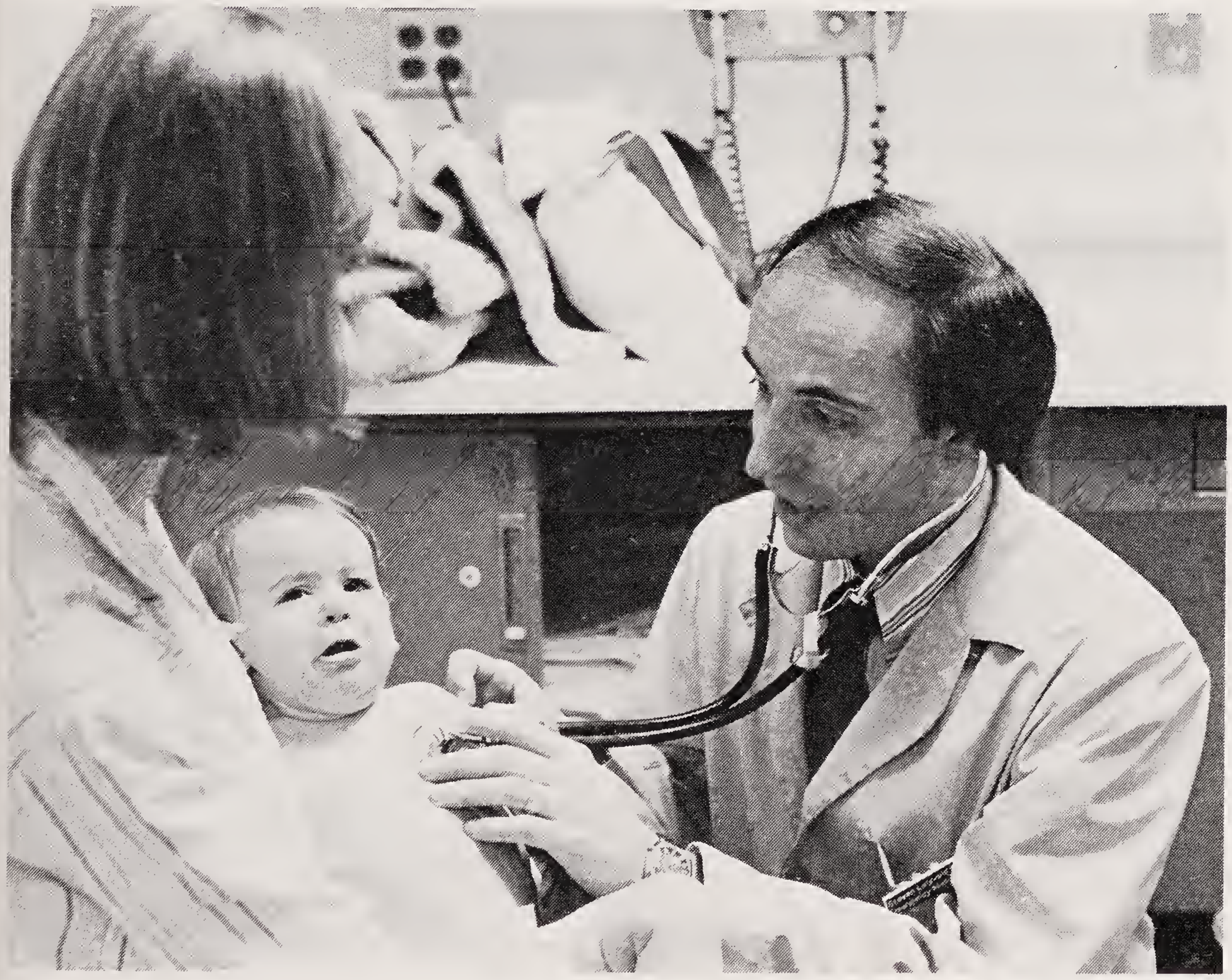
Is the hospital a teaching hospital? Is it affiliated with a medical or nursing school? Generally, hospitals that provide a high level of training for medical personnel will provide quality medical services.

Does the hospital have an adequate, qualified staff of physicians, specialists,

SPECIALISTS

MEDICAL	
Cardiologist	Treats diseases of the heart.
Dermatologist	Treats diseases of the skin.
Gynecologist	Deals with the diseases and hygiene of women.
Internist	Diagnoses and treats physical diseases, particularly those of inner organs.
Neurologist	Treats disorders of the brain, spinal cord, and nervous system.
Obstetrician	Provides medical care for women during pregnancy and birth.
Ophthalmologist	Provides care for the eyes.
Orthopedist	Treats fractures, deformities, and diseases of the skeletal system.
Otolaryngologist	Treats diseases and disorders of the ear, nose, and throat.
Pediatrician	Deals with the development and care of children and treats children's diseases.
Surgeon	Performs operations to diagnose or treat a variety of diseases or physical conditions.
Urologist	Deals with the urinary tract and the male reproductive system.
DENTAL	
Oral surgeon	Performs operations to extract teeth and to treat injuries and defects of the jaw and mouth.
Orthodontist	Corrects irregularities and deformities of the teeth, usually with braces.

8-5 If you have special medical needs, you may have to consult a medical or dental specialist.



EVANSTON HOSPITAL

8-6 Choose a doctor that is qualified to provide the health care you need.

nurses, therapists, and technicians? If the hospital is understaffed or if the staff is under-qualified, you may not receive the medical care you need.

What facilities and equipment does the hospital have? Is there an intensive care unit? Is the emergency room well equipped and staffed? Make sure the hospital has the facilities to provide you with the care you need.

What type of care does the hospital provide? An *acute care facility* diagnoses and treats a broad range of illnesses and emergencies. A *special disease facility* diagnoses and treats a special illness or group of diseases. A *chronic disease facility* provides continuing care for ongoing illnesses. If you have specific medical needs, choose a hospital accordingly.

Does the hospital have a good reputation in the community? If medical professionals and patients speak highly of a hospital, that's a good sign of quality health care. Knowing you are being treated in a hospital that provides quality health care can have a positive effect on your mental and physical health.

Drugs and medicines

Drugs and medicines are an important part of medical expenses. With increasing drug prices, consumers are asking more questions about the drugs their doctors prescribe.

Consumers can now buy drugs by their generic names instead of by trade or brand names. A *generic drug* is the common form of a drug and costs less than a similar brand name drug. When your doctor prescribes a drug, ask if a generic drug may be substituted. If a substitution may be made, the doctor should indicate this on your prescription. Without a doctor's permission, a pharmacist filling a prescription cannot make a generic drug substitution.

When your doctor prescribes a drug for you, find out the answers to these questions:

Is this drug really necessary?

What does the drug do?

How much of the drug should I take?

What time of day should I take the drug and for how many days?

Will I experience any side effects from the drug?

What activities, foods, or other things should I avoid while taking the drug?

Can I take a nonprescription drug or another prescription drug while taking this one?

PAYING FOR HEALTH CARE

If health care costs continue to climb, you may spend a sizable amount of your income just to stay healthy. In spite of high prices, there are ways to keep health costs down. The following tips may help you.

Find out what free or low cost health services are available to you through your employer or union health programs, community programs, and government programs.

Protect yourself against major medical costs by having adequate health insurance.

Know exactly what expenses your health insurance covers, and file claims promptly for all covered expenses.

Discuss fees and prices with your doctors, dentists, hospitals, and pharmacists. Cost-conscious patients can often avoid unnecessary expenses and obtain necessary treatment or drugs for less.

Minimize hospital costs by asking for outpatient care if possible.

Get a second opinion from another physician or specialist before agreeing to nonemergency surgery.

Government health care programs

Medicare and Medicaid are the two major health care programs funded by government, 8-7. *Medicare* is the health insurance program administered by the federal government. The program is financed with money from Social Security taxes. Applications for Medicare are available at Social Security offices. *Medicaid* is a medical assistance program administered by the state. This program is financed with federal, state, and local funds. Medicaid applications are available at local welfare offices or public aid offices.

Medicare helps people who are 65 or older, people of any age with permanent kidney failure, and certain disabled people pay for many health care services. The Medicare program provides two types of coverage: hospital insurance and medical insurance.

The hospital insurance helps pay for inpatient hospital care, inpatient care in a skilled nursing facility, and home health care. Medicare pays for all covered services except for the hospital insurance deductible. The deductible is the first $260 (or similar set amount) of hospital bills. After the patient pays the deductible, Medicare pays the rest. However, if the patient stays in a hospital or nursing facility beyond a specific length of time, the patient must then pay a share of the costs.

The medical insurance of Medicare helps pay for physicians' services, outpatient health care, and outpatient physical therapy. It also helps pay for some home health care and many other health services and supplies which are not covered by the Medicare hospital insurance. There is a basic payment rule in the medical insurance plan. The patient is responsible for paying the first $75 (or similar set amount) of covered medical expenses in each calendar year. Then the medical insurance pays 80 percent of the approved charges for other services received during the rest of the year. The patient is responsible for the remaining 20 percent.

Medicaid pays for the health care services of low income people who are aged, blind, disabled, or financially needy. Patients must apply for Medicaid in the state where they live.

The services provided by Medicaid vary from state to state. Most Medicaid programs

MICHAEL REESE HOSPITAL

8-7 Medicare and Medicaid help pay for the health services of the disabled.

pay for inpatient and outpatient hospital services, clinic care, and laboratory and X ray services. Some states also pay for family planning services, home health care services, dental care, eye care, and other medical services.

Health insurance

The high cost of health care makes insurance protection important for everyone. Choosing what insurance coverage to buy and where to buy it are the big decisions. Health insurance can be bought from insurance companies, from hospital service plans such as Blue Cross, and from medical service plans such as Blue Shield. There are three major types of health insurance coverage: basic medical, major medical, and disability.

Basic medical insurance coverage pays for hospitalization which includes room, board, and nursing services. It also pays for some other services such as X rays, lab tests, drugs, and medications. Depending on the policy, it may pay some of the costs of doctor visits and surgical procedures.

A *major medical insurance* policy begins paying where basic coverage stops. This policy pays the largest share of expenses resulting from major illness or serious injury. The purpose of major medical insurance is to protect individuals or families against huge medical bills that could ruin them financially.

If a person is unable to work because of injury or illness, *disability insurance* will provide regular payments to cover the loss of income. The maximum coverage of this insurance is two-thirds of a person's gross salary.

The majority of employed Americans and their families get group health insurance coverage through employers, unions, or professional associations. Group coverage offers several advantages over individual coverage. Generally, it provides more coverage with fewer exclusions at lower cost.

When you are part of an insured group, find out:

- How much coverage you receive.
- What choices you have in the amount and type of health benefits you receive.
- What share of the premium and health expenses you pay.
- What uncovered health expenses you must be prepared to pay yourself.
- If you can convert your coverage to an individual policy if you leave the group.

If you have a comprehensive group health insurance policy from an employer, you may have all the coverage you need. If not, you may need to purchase more insurance. However, avoid duplicating coverage. Duplication is a waste of money. You often cannot collect from more than one policy for the same illness.

If you need to buy insurance, be sure to evaluate the insurance company carefully. Look for a financially sound company that pays legitimate claims promptly.

Look out for exclusions and limitations on health insurance coverage. Some companies may exclude certain illnesses or treatments from their policies. Also check the renewal conditions and cancellation clause. Make sure you will be able to continue the policy even if you file claims.

Know exactly how much you will be required to pay for premiums, deductibles, coinsurance, and copayments. A *premium* is a certain amount of money you pay regularly to an insurance company for protection. A *deductible* is the amount you must pay before the insurance company begins paying. If a policy has a $100 deductible, you will have to pay the first $100 of medical expenses. Some policies call for *coinsurance.* This means that you will have to pay a percentage of the expenses. For instance, a major medical insurance policy may cover 80 percent of the expenses and require you to pay the other 20 percent. Other policies call for *copayment.* This means you will have to pay stated amounts for certain expenses. For instance, you may have to pay $2 for every prescription filled and $5 for every office visit to a doctor.

Compare coverage and premiums. Costs for similar coverage may vary greatly. Buy the best protection you can get for the money you have to spend on health insurance.

Consider dental coverage if it is available to you. Almost all dental insurance is provided through employee or union group plans. Read the policy carefully to see if the coverage would be worth the cost.

After you select a policy, be sure to keep a copy of it in a safe place. Find out from the insurance company or your employer how to file a claim so you will be familiar with the procedure. Review your health insurance periodically to see if you need to make any changes in coverage. If you marry or have children, you will probably need a different policy or additional coverage.

Health Maintenance Organizations

Another type of health plan is available through *Health Maintenance Organizations (HMOs)*. HMOs differ from health insurance companies because they provide health services rather than pay medical bills.

HMO membership is available largely through an employment group. As an employee, you may be given a choice between a traditional health insurance plan or HMO membership. As a member of an HMO, you or your employer pay a lump sum or a monthly fee. The fee usually covers the cost of many hospital and medical services. Then if you become ill, you go to a doctor who is associated with your HMO to receive the health care you need, usually at no additional charge.

Before joining an HMO, find out what services it offers and what facilities are associated with it. Check the qualifications of the health care professionals. Ask about fees and what they include. Then compare the costs and services of HMO health care to the costs and services of other health care and health insurance coverage. Choose the plan that will be best for you.

Keeping health and medical records

Up-to-date health and medical records for individuals and families are valuable for several reasons. They can help health care professionals with the diagnosis and treatment of illnesses as well as with the prevention of certain diseases. Having health facts readily available is particularly important for anyone with health conditions that would require special treatment in an emergency. Data from health histories is helpful when filling out job applications, school records, and insurance forms. Organized receipts for the payment of medical bills and the purchase of medications are needed for validating tax deductions and filing insurance claims.

The list in chart 8-8 will give you an idea of the kinds of information you should keep in your health and medical records. (You may want to write some of this information on a card to carry with you.)

PERSONAL AND FAMILY HEALTH DATA

- Birth date, height, weight, occupation.
- Blood type.
- Persons to notify in an emergency—names, addresses, phone numbers.
- Physicians who treat you—names, addresses, phone numbers.
- Allergies—types, symptoms, emergency treatments.
- Medications you take—dosages, prescription numbers, pharmacies.
- Chronic illnesses with important details on history, medication, and treatment.
- Visual or hearing defects and other disabilities.
- Immunizations and dates for boosters.
- Details of childhood diseases.
- Dates, results, and significant details of physical examinations, laboratory tests, illnesses, surgeries, and injuries.
- Social Security, Medicare, and Medicaid numbers.
- Health insurance data—names and addresses of companies insuring you, types and amounts of coverage, policy numbers and dates issued, premium amounts and due dates, claims made, and names of agents who serve you.
- Receipts showing dates and amounts of medical bill payments and medication purchases.

8-8 Include similar personal and family health data in your health and medical records.

Emergency health care has become a specialty in recent years. Success in this specialty often depends on prompt, accurate treatment. Little time can be spent in identifying existing medical conditions that require special treatment. Programs that alert paramedics and emergency care staffs to hidden medical problems include Medic Alert and Vile of Life.

Medic Alert bracelets and necklaces are signals of medical conditions needing attention in emergencies, 8-9. Persons who wear Medic Alert tags also carry a card with additional medical information in their wallets. The Medic Alert tags identify wearers of contact lenses and persons with allergies, diabetes, heart disease, epilepsy, and blood problems. The tags also carry the phone number of the Medic Alert emergency answering service. At this number, detailed medical information is available 24 hours a day.

The *Vile of Life* and similar programs across the country also provide health information. Important medical data is written on a special form and placed in a tube or vile. The vile is then put in a specific place in the home (for example, in the refrigerator) or in the glove compartment of the car. This enables emergency personnel to find the information they need quickly.

Case Studies

IT'S NEGOTIABLE

George has just been elected to represent his union at the bargaining table. In three months, negotiations will begin for a new contract. The members of the union are unified on their demands. One of their demands is complete health care benefits covering union members and their families at no cost to themselves.

The company has made it clear that it will not negotiate a health benefit program unless union members pay a share of the costs. Eileen, a company spokesperson, argues that "free" health care would be abused. She says that workers would flock to the doctor's office with every hangnail and hiccup if they didn't have to pay for it. She says the cost to the company would run into the millions. To make it worse, the costs would be unpredictable and uncontrollable.

This is an issue that will have to be negotiated, and compromises will have to be made. If you were George, what arguments would you make in favor of the union's demand? If you were Eileen, what arguments would you make on the company's behalf?

Questions to discuss

1. To what extent do you think companies should be financially responsible for the health care of employees and their families?
2. To what extent should employees be responsible for financing their own health care?
3. What types of problems might occur in an employer-sponsored health program?
4. How might health care programs differ for large and small companies?

NEW MARRIAGE, NEW JOBS, NEW LOCATION

Tom and Jessica are in their early 20s—recently married and newly employed. They have just moved into an apartment in a strange city. Tom works for a local newspaper, and Jessica works in the dean's office of a college.

As new employees, both Tom and Jessica are presented with a package of employee benefits to consider. Among the benefits for both is a choice between health insurance and membership in an HMO. Up to this point in their lives, Tom and Jessica have been fit and healthy. They have not thought much about the cost of health care because it has never been a problem for either of them.

However, Jessica remembers that her uncle had a severe heart condition that required open heart surgery. The huge medical bills left his family almost bankrupt. Jessica's two cousins had to quit college and get jobs. Jessica is determined not to let anything like that happen to Tom and her. She wants to take a very close look at the health coverage their employers are offering. Besides, Tom and Jessica will have to pay part of the insurance premiums or membership fees. They want to be sure they get their money's worth.

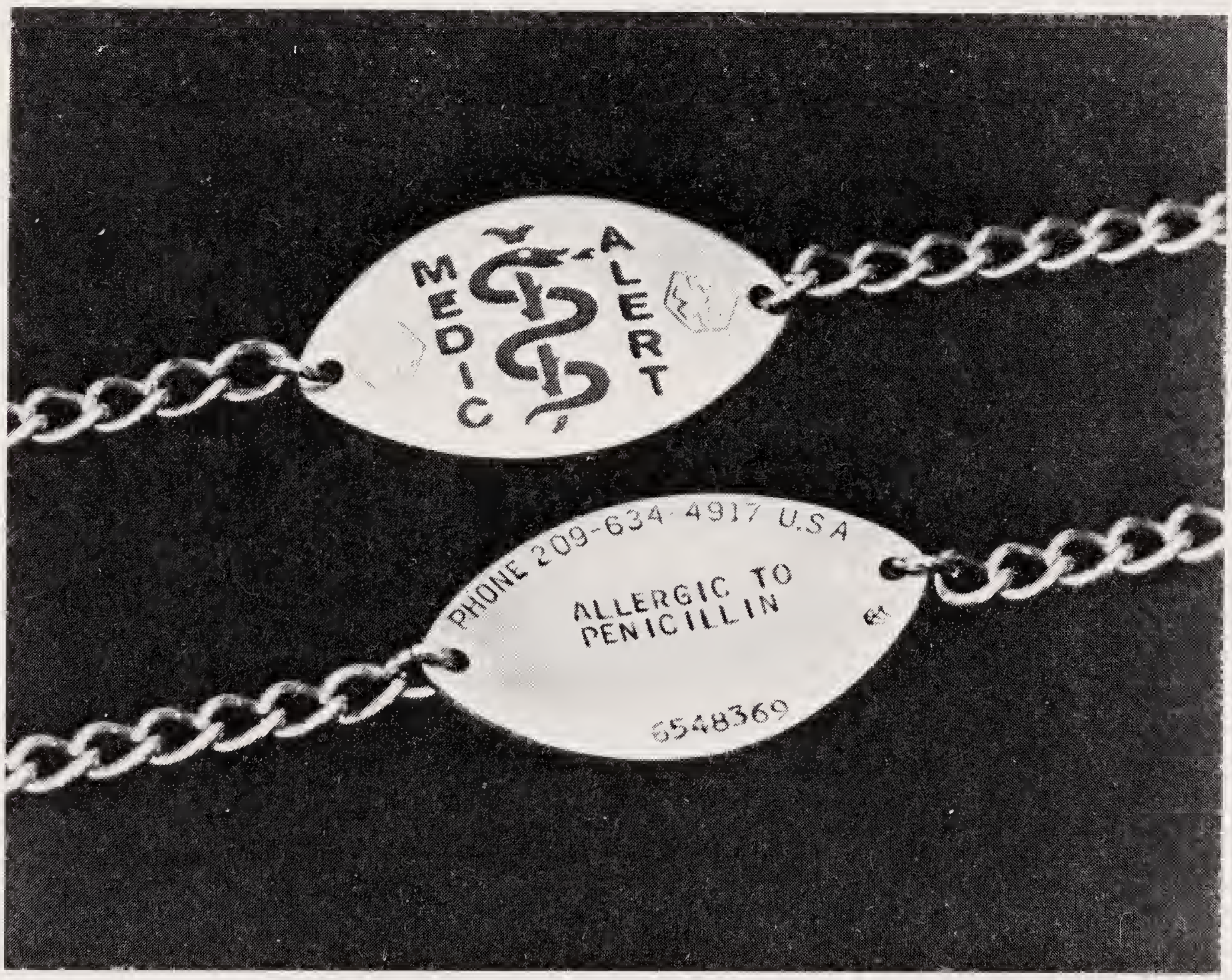
Questions to discuss

1. If you were in Jessica and Tom's position, what factors of health care benefits would be most important to you?
2. What factors would you consider when choosing between health insurance and an HMO?
3. Suppose both Tom and Jessica are offered health protection that covers both spouses. Under what circumstances would they be wise to get coverage from both employers? When would they be wise to sign up for only one plan?
4. How can an employee decide what, if any, health insurance coverage is needed in addition to employee benefits?
5. What important points should you consider when evaluating group insurance plans?

HAVING FUN

Very few people have all the time and money they want to spend for fun. Getting more fun out of your limited recreation hours and dollars calls for careful planning and managing. Knowing what brings you pleasure and fun is the first step toward the goal of having more fun.

You probably know a few people who put every free moment into a favorite hobby, sport, or leisure activity. No doubt you know lots more who are always saying, "There's nothing to do," or "I'm bored." It may sound silly, but lots of people miss out on fun



MEDIC ALERT

8-9 The owner of this Medic Alert bracelet is allergic to penicillin. The bracelet also lists the Medic Alert emergency phone number.

because they don't know what they enjoy. What do you do when you have nothing to do? What do you really enjoy? Completing the sentences in 8-10 can help you zero in on what you like to do. You may also think of new ways of having fun.

Once you have some ideas about what you enjoy, make a list of the activities that appeal most to you. Your list might include active sports, spectator sports, social activities, hobbies, self-improvement projects, and many other activities. Then set up priorities. Put the activities that will bring you the most pleasure and satisfaction at the top of your list. Try to choose a variety of free time activities. Work toward a balance of physical and mental activities, time alone and time with others, and creating things yourself and enjoying what others have created.

To pursue the activities you like most, you will need to plan the use of your time and money, 8-11. Figure out how much time and money you have to spend on leisure activities. Then prepare a suitable time schedule and spending plan. Remember, each time you spend a free hour or an extra dollar on something that is not fun, you rob yourself of pleasure.

Once you set aside time and money for fun, enjoy it. Don't waste your free time worrying about the work you aren't doing. Work when it's time to work, and play when it's time to play.

Case Studies

WHEN FUN BECOMES NO FUN

Greg is a freshman in a big high school. He is finding the school work a little tough, so he brings books home every night. In addition to school work, Greg has many other things to do. He is a member of the football team, the band, and the debate team. He also likes to read and watch TV, but there just isn't enough time to do everything.

Greg is beginning to feel the pressure. Whether he is working or playing, he is always worrying about everything else he is supposed to be doing. Some of the activities he started for pleasure are becoming a drag. He is falling behind in his classes, and nothing is fun anymore.

Questions to discuss

1. Why do you think some people get into situations like Greg's?
2. Have you ever signed up for more activities than you could handle?

WHAT I LIKE TO DO

1. When I get some unexpected free time, I usually . . .
2. Three things I really like to do for fun are . . .
3. The biggest mistake people make in using leisure time is . . .
4. If I had $25 to spend on a leisure activity, I would . . .
5. If I had $150 to spend on sports or hobby equipment, I would buy . . .
6. If I had $500 to spend on vacation and travel, I would . . .
7. If I had a full hour to do as I pleased each day, I would . . .
8. Three things that really bore me are . . .
9. The best cure for boredom is . . .
10. If I had a whole day with nothing to do, I'd like to . . .
11. The thing that keeps me from doing what I really enjoy is . . .
12. My greatest waste of time is . . .
13. Three things I really like to do but never have enough money for are . . .
14. Three free or low cost activities available in my community are . . .
15. Three ways I could stretch the money I spend for fun are . . .
16. Three things I really like to do but never have enough time for are . . .
17. Three ways I could make more time for fun are . . .
18. Having fun is important because . . .
19. If people never seem to have fun, it is probably because . . .
20. People who get the most fun out of life are . . .

8-10 When you know what you like to do, you can make better plans for the use of your leisure time and money.

3. Do you often feel like you have too much to do? If so, what do you do when you feel that way?
4. How might Greg deal with his problem?

WHEN THERE ISN'T ANY TIME

Sixteen-year-old Brenda has lots of interests, but she never seems to have time for any of them. She sleeps late and barely arrives at school on time for her first class at 8:30. She has five classes, an activity period, a study hall, and a lunch period each day.

Brenda usually eats with friends and relaxes during her 45-minute lunch break. During study hall, she often works on club activities or looks at fashion magazines in the library. School is out at 3:15. Brenda usually arrives home around 3:30 unless she goes to the soda shop with friends. Then she arrives home about 4:30 or 5:00.

Once at home, Brenda sits in front of the TV even though the late afternoon programs are usually boring. Soon it's time for dinner. After dinner, Brenda's favorite shows are on TV. That's also the time when her friends get together for fun.

Brenda, however, never has time to be with

MICHIGAN TRAVEL COMMISSION

8-11 If you like to ski, set aside the time and money to enjoy the sport.

her friends or to watch her favorite TV shows. It's all because of homework. Her parents won't let her do anything after dinner until her homework is done. It's a real problem. She just doesn't have any time for fun.

Questions to discuss

1. Do you know someone with a problem like Brenda's?
2. What time-wasters do you see in Brenda's day?
3. How do you think Brenda might solve her problem?
4. What would you do in her place?

WHEN THERE ISN'T ENOUGH MONEY

Randy and Joan are engaged and plan to be married right after graduation. They are trying to save as much money as they can to pay for their honeymoon and to furnish their first home. Both Randy and Joan have part-time jobs. They both plan to work full-time once they are married. Even though their savings are growing, they sometimes wonder if they will have enough money for all their upcoming expenses.

Randy and Joan's savings program allows very little money for fun. They haven't seen a movie in several weeks. They haven't been out with friends either. Sitting in front of the TV is about their only entertainment.

A rock concert is scheduled in a nearby town in another week. A group of Randy and Joan's friends plan to go. Joan really wants to join the group, but Randy says they can't afford it.

In the argument that follows, Joan says she is tired of just watching TV. She wants to go places, do things, and be with friends. Joan wants to spend some of their money for good times. Randy argues that fun can wait. They will need all their savings for necessary things when they get married.

Questions to discuss

1. What do you think of Joan's attitude? Of Randy's?
2. What leisure activities would you be willing to give up if you were saving for something really important to you?
3. How do you feel about including or not including fun in a budget?
4. How do you think Joan and Randy can reach an agreeable compromise?
5. What are some free or low-cost ways to have fun?

Selecting sports and hobby equipment

The money you spend on fun will include the equipment, supplies, and special clothes you may need for sports and hobbies. Depending on the sports and hobbies you Costs will depend on the sports and hobbies you choosse. As you shop for equipment, supplies, or clothes, follow these guidelines.

Anticipate costs. Before becoming involved in a sport or hobby, find out how much it will cost. When money is limited, you may want to choose less costly activities. Unless you already have the equipment, sports and hobbies such as golf, skiing, sailing, and photography may be very expensive.

Do your homework. Before making any major purchases, check product ratings in *Consumer Bulletin* and *Consumer Reports.* Also look for information in specialized sports and hobby magazines and from manufacturers and retailers.

Seek advice. Talk with people who have experience in the sport or hobby that interests you. Find out what kinds of equipment they recommend and how much you should expect to pay.

Learn quality and performance. Know the important quality and performance features of a piece of equipment before you spend your money. For example, suppose you want to buy a tennis racquet. What size racquet would you choose? Would you want a racquet made of wood, graphite, or some other material? What kind of strings would you choose? Buy the equipment that best suits your ability, interests, and budget, 8-12.

Try rental. If you are not sure what equipment to buy or if you are not sure of your interest in a new sport or hobby, try renting equipment first. Sometimes rental fees can be applied toward the purchase of equipment if you later decide to buy. Ski equipment and musical instruments are often rented first and bought later.

Look for money savers. When you need expensive sports equipment, you may want to consider buying secondhand equipment. Other ways to save are to check discount stores for good buys or to wait for end-of-season sales.

Case Studies

SPENDING TOP DOLLAR

Last summer, 15-year-old Bill moved to Chicago from a small town in Texas. As the hockey season approached, Bill started looking forward to joining a hockey team. The sport fascinates him. He hasn't missed a game on TV in the last five years.

Just before the season started, Bill talked his parents into buying him all the gear he would need to play hockey. They bought very good (and very expensive) equipment at a local sports shop. The following week, one of the area schools held its annual "Winter Sports Equipment Exchange." Good, used gear was sold at the exchange for a fraction of its original price. Unfortunately, Bill hadn't seen the notice about the exchange at school.

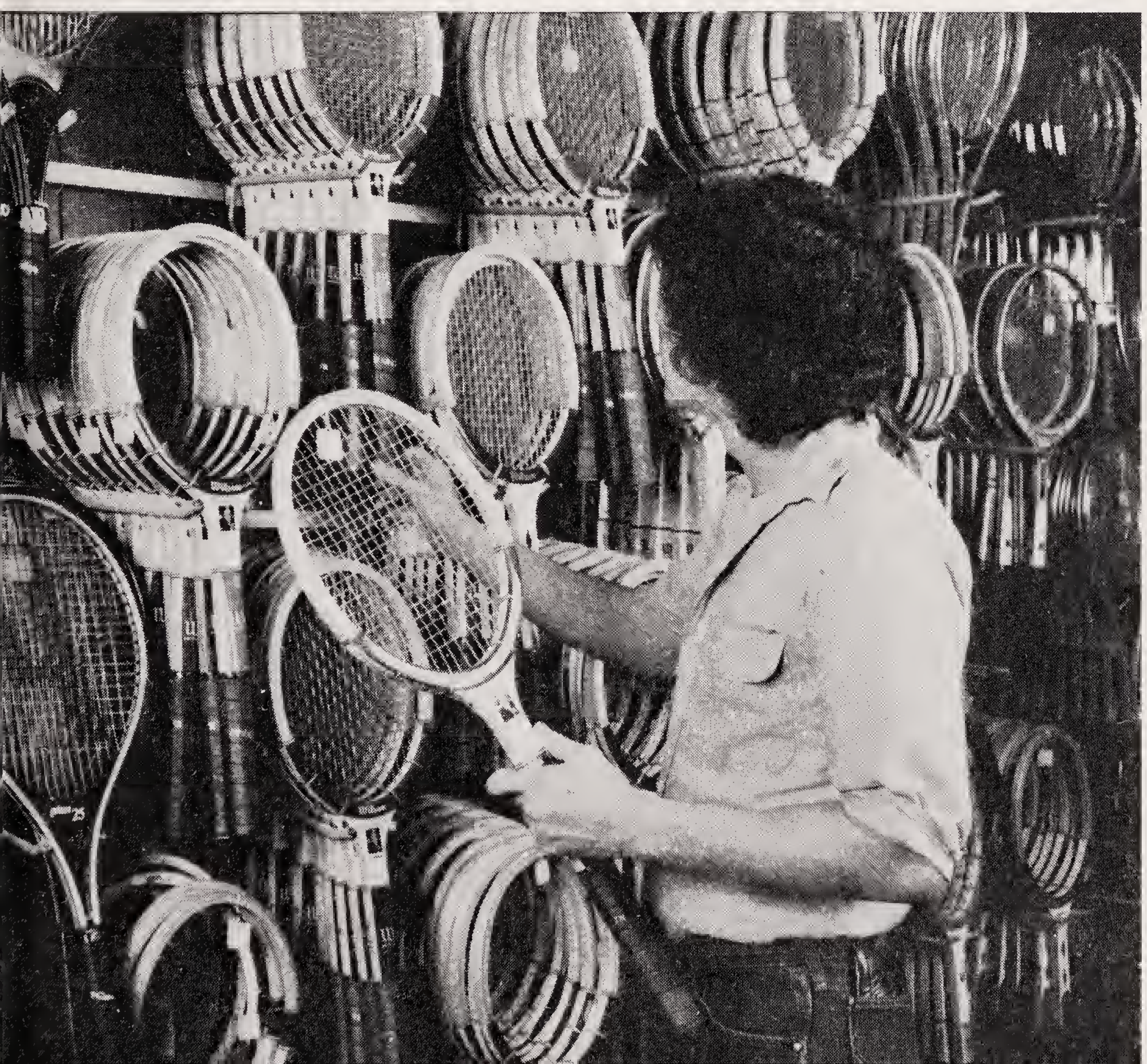
The next month, Bill dropped hockey. His ankles were weak, he didn't skate very well, and the hockey schedule left no time for anything else. Bill decided hockey was more fun to watch than to play.

Questions to discuss

1. Have you or one of your friends had an experience like Bill's with a new sport or hobby?
2. Do you think Bill would have done things differently if he had been spending his own money?
3. How might Bill have been smarter about getting hockey gear?

FUN BUT COSTLY

Teresa was given a camera for her tenth birthday and immediately started taking pictures. She has photo albums full of snapshots taken during the last five years. She has become the official photographer in her family and among her friends.



8-12 Shop carefully for the equipment that best suits your ability, interests, and budget.

Last summer Teresa decided she wanted to begin using better equipment and learning more about photography. From a summer photography course, Teresa learned more about taking photos and developing her own film. She bought a good camera and set up a darkroom in her basement. Now Teresa is one of the photographers for the school paper. She is entering photo contests and has already won a few prizes.

Photography is a hobby that Teresa will enjoy throughout her life. Unfortunately, it is a costly hobby. Over the years, she plans to invest several hundred dollars in equipment. Each month she will also spend money for film and darkroom supplies.

Questions to discuss

1. What are your thoughts and feelings about expensive hobbies?
2. What are some ways Teresa might enjoy photography without spending as much money?
3. How might she make her hobby pay for itself?
4. What are some less expensive hobbies?
5. What other hobbies can be as costly as photography?

A MUSICAL NOTE

Gordon plays the piano for the school chorus. He really is very good. He started picking out tunes on the family piano when he was about seven years old. Since he seemed to have an ear for music and a good sense of rhythm, his family encouraged him to take piano lessons.

After eight years of lessons, Gordon took off on his own. He organized a small group of friends into a band. For months, they held jazz sessions every Friday after school. Later, the group started playing for a few parties and dances. Now their band is in great demand. Over the summer, they will earn about $600 each and have fun doing it.

Except for the piano lessons, Gordon and his family have spent very little money for Gordon's music. Now, he can continue learning on his own and earn a little cash besides. Gordon has a hobby that he will be able to enjoy through the years.

Questions to discuss

1. What do you think of Gordon's hobby choice?
2. What other hobbies would be relatively inexpensive?
3. What other hobbies might be a source of income?
4. When might a favorite sport or hobby turn into a career?

Travel and vacation planning

Americans are on the move. Each year, consumers spend billions of dollars on travel within the United States and abroad. For most people, however, time and money for travel and vacation are limited. To get the most fun and satisfaction out of these limited resources, careful planning is needed.

Begin your vacation planning at the library. Get some good books on the areas you would like to visit and the special activities you would like to do such as biking, rafting, skiing, etc. Chart 8-13 lists many sources of travel and vacation information.

Before you make any travel or vacation plans, ask yourself the following questions.

When and where do you want to go? What time of the year do you want to travel? Do you want to vacation where the weather is warm and sunny or cold and snowy?

How will you get there? Will you go by car, bus, plane, train, or ship? Check on reservations, time schedules, and fares. The transportation you choose will depend on where you are traveling and how much you have to spend. Be sure to make travel reservations early when traveling in peak seasons.

Where will you stay? Find out about hotels, motels, resorts, hostels, and campgrounds. Ask about reservations and room rates. Reservations will be easier to get and rates will be lower during off-season months. Also find out what will be included for the price you pay. For example, will your hotel room have TV and air conditioning? Will you have access to a swimming pool, restaurants, and tennis courts? Again, reserve several months ahead if you will be traveling during peak seasons or to popular resorts.

What are the special things to see and do where you are going? Are there any special festivals, sight-seeing tours, athletic events, or historical sites where you will be going? Check to see if you need advance tickets for any special events.

How much will it cost? Make a list of your expenses for transportation, lodging, and meals. Also estimate the amount of other expenses such as equipment rental, sports activities, sight-seeing, and so forth. Will you have enough money to cover your expenses?

Throughout the year, travel agencies and resorts offer many vacation packages and group tours at special rates. Look through the travel ads carefully. You may be able to find your dream vacation at a reasonable price. However, before you sign up for the vacation, be sure you know exactly what you are getting. Know the length of the trip, the type and quality of accommodations, the meals that are included, the travel schedule, and the available options. Also make sure you are dealing with a reliable travel agency or tour company. If possible, talk with people who have dealt with the agency or company and find out if they were satisfied with their travel arrangements.

SOURCES OF TRAVEL AND VACATION INFORMATION

- Airlines
- Railways
- Bus lines
- Auto clubs
- Travel bureaus
- State tourist offices
- National tourist offices
- Travel books and magazines
- Travel sections in newspapers
- Chambers of commerce
- Hotels and resorts
- Passport office
- Customs service
- Friends
- Issuers of traveler's checks

8-13 A number of sources are available to help you make travel and vacation plans.

If you are planning a trip to another country, you need to be familiar with the terms in 8-14. Take the time to learn the meanings of these words before you travel far from home.

THE TRAVELER'S VOCABULARY

Customs — The government agency responsible for inspecting luggage and possessions before entering or leaving a country. The purpose of customs is to collect a duty or tax on items bought in another country that exceed the allowable exemption. Luggage and possessions are inspected to make sure nothing illegal is transported from one country to another.

Duty — The tax paid on items purchased in foreign countries.

Exchange rate — The difference in the value of currency (money) from different countries when one is exchanged for another.

Free port — A place where products of different countries can be bought without paying a duty.

Hostel — Low cost lodging usually for young travelers, sometimes called youth hostels.

Inoculation — A shot given to create an immunity to a certain disease. Sometimes people must be inoculated for certain diseases before they are allowed to enter certain countries.

Itinerary — A schedule or program of travel plans including travel dates, times, reservations, accommodations, and activities.

Passport — An official government authorization for travel to foreign countries. It also serves as a proof of identity and citizenship while traveling.

Rail pass — A permit that allows a person to travel economically by train to a variety of places. Rail passes are available in the U.S. and Europe.

Traveler's checks — Checks that can be cashed around the world. Traveling with traveler's checks is usually better than traveling with cash because the checks can be replaced if lost or stolen.

U.S. Consulate — The official U.S. representative in a foreign country who may be helpful to U.S. citizens traveling abroad.

Visa — An authorization to travel to a specific country or for a specific length of time.

8-14 Become familiar with these words if you plan to travel in another country.

to Know

basic medical insurance
coinsurance
copayment
deductible
disability insurance
Food and Drug Administration (FDA)
generic drugs
Health Maintenance Organization (HMO)
major medical insurance
Medicaid
Medicare
osteopath
physician
premium
specialist

to Review

1. List five things you should do when selecting and buying grooming aids.
2. What information must be listed on cosmetic products according to FDA requirements?
3. What symbol should be on appliances that are produced by reputable manufacturers? What does this symbol mean?
4. What qualifications should you look for when choosing a new health care professional?
5. How can hospital ownership affect a hospital?
6. True or false. A pharmacist can make a generic drug substitution with or without a doctor's permission.
7. Name five tips that can help you keep health costs down.
8. What are the major health care programs funded by government? Who is eligible for each program?
9. What type of coverage does a basic medical insurance policy provide?
10. What is the purpose of a major medical health insurance policy?
11. The majority of employed Americans and their families get __________ health insurance coverage through employers, unions, or professional associations.
12. How do HMOs differ from health insurance companies?
13. Why is it important to keep family health and medical records?
14. What guidelines should you follow when you shop for sports or hobby equipment, supplies, or clothes?
15. What do you need to consider before you make travel or vacation plans?

to Discuss

1. Why is it important to use cosmetics and grooming aids safely?
2. How many grooming appliances do you and your family have? Do you use every appliance on a regular basis? What appliances could you do without?
3. How should you go about selecting a physician, specialist, or dentist?
4. How can you determine the quality and type of care a hospital provides?
5. What questions should you ask your doctor or pharmacist about prescribed drugs?
6. If your employer gave you the choice between a health insurance plan or a HMO membership, which health program would you choose? Why?
7. Do you know anyone that has a Medic Alert bracelet or a Vile of Life? Do you think it is important for people who have a special health condition to identify it by one of these methods? Why?
8. When have you had trouble finding the money and the time for the leisure activities you enjoy the most?
9. Have you or your friends ever rented sports equipment? What is an advantage of renting equipment rather than buying it?
10. What should you find out before you make vacation plans with a travel agency?

to Do

1. Take an inventory of the cosmetics and grooming aids you own. Estimate the total amount you spend on these items monthly.
2. Make a list of five grooming aids you use regularly. Do some comparison shopping and find the

price of each grooming aid in a:

a. Grocery store.
b. Drug store.
c. Convenience store.
d. Dime store.
e. Discount store.

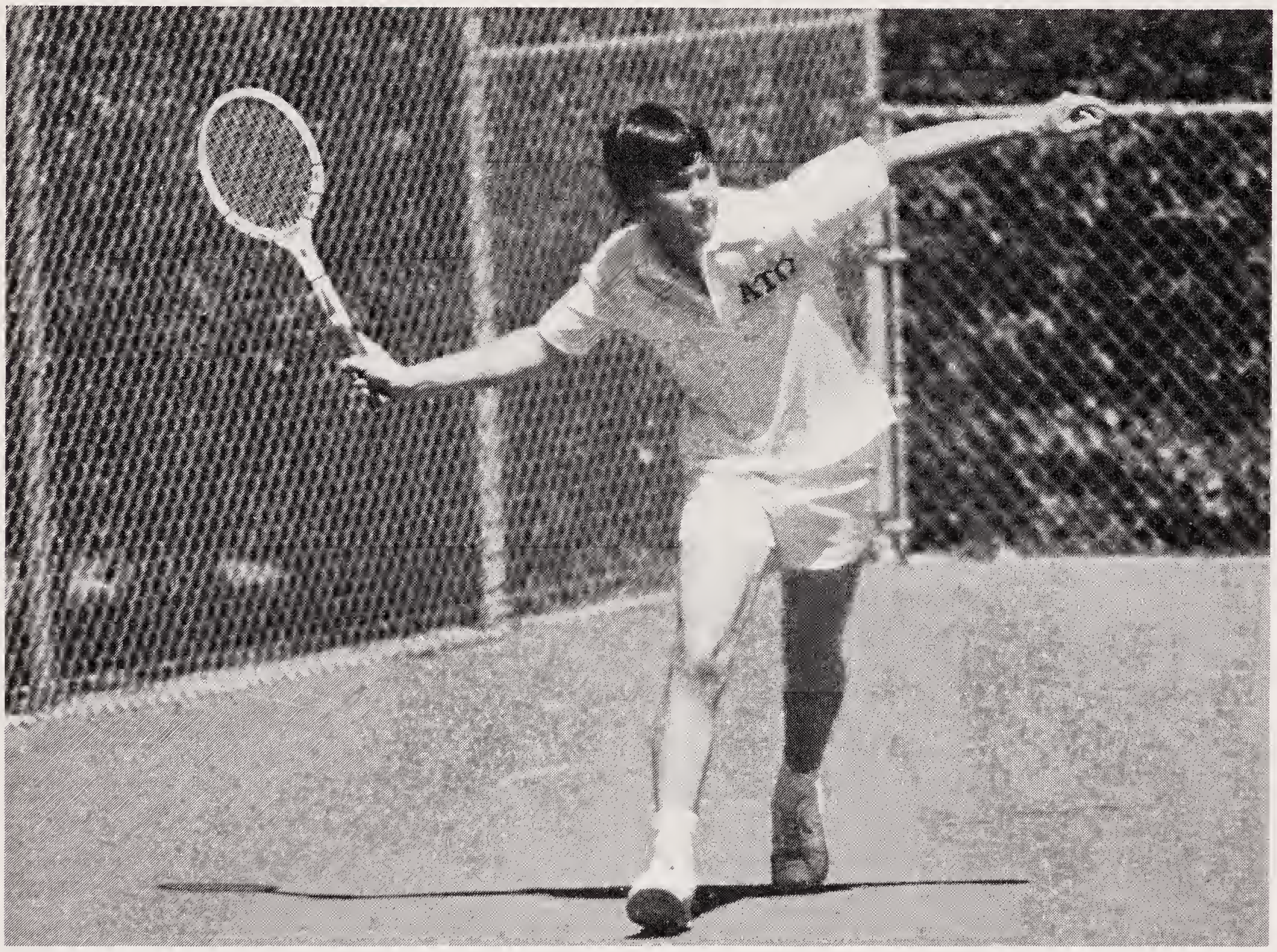
If you were buying all five items from the same store, which store would charge you the least amount?

3. Find out what type of health care protection you and your family have. What does the protection include?

4. As a class, collect several health insurance policies to analyze. Divide into groups to review the policies. When reviewing each policy, underline the most important clauses and circle all the words and phrases you do not understand. Then discuss the underlined and circled words in class.

5. Check to see if your family keeps health and medical records. If so, make sure they are up-to-date and well-organized. If records have not been kept, begin keeping them now. Include in your records a list of all the doctors and specialists and their phone numbers that you and your family use.

6. Plan a three-day weekend for you and your family. Plan where you would go, how you would travel, where you would stay, and what you would see and do. Estimate the cost of the trip including the cost of travel, accommodations, food, and entertainment. Call or visit travel agencies, airlines, bus lines, travel bureaus, and libraries to get travel ideas and cost estimates.



EVANSTON CHAMBER OF COMMERCE

For many people, tennis is both a fun leisure time activity and a serious part of a physical fitness program.

part four

Big spending

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9

Getting from here to there

After studying this chapter, you will be able to:

- ☐ Explain the advantages and disadvantages of different forms of transportation.
- ☐ Evaluate car features and options, car dealers, and car warranties.
- ☐ Compare car loans and finance charges.
- ☐ Recognize the responsibilities of car ownership.
- ☐ Describe factors that would influence your choice of a bicycle, moped, or motorcycle.

Whether you drive the family car, buy your own car, or ride a bus, you will do a lot of traveling over the years. Americans spend billions of dollars each year on transportation. On a more personal scale, you will spend thousands of dollars transporting yourself in your lifetime.

In the United States, the car is the most widely used form of transportation. If you plan to travel by car, you will face many decisions. This chapter presents information on choosing, paying for, and maintaining a car. Since cars aren't the answer to everyone's transportation needs, many transportation alternatives will be described.

TRANSPORTATION CHOICES

The transportation choices open to you depend partly on where you live. In most urban and suburban communities, you will be able to choose from several forms of public and private transportation. You may have access to buses, trains, subways, and taxis. In rural areas, riding the school bus may be the only alternative to traveling by car, bicycle, moped, or motorcycle. Whatever form of transportation you choose, it is sure to have both advantages and disadvantages.

In major cities, mass transit is widely used. It usually costs less than other forms of transportation. However, the type, quality, cost, and reliability of mass transit varies from city to city. One of the major advantages of traveling by bus, subway, or train is that it frees you of car owner responsibilities, 9-1 and 9-2.

One disadvantage of mass transit may be matching your time schedule with the transit schedule. Unless you plan carefully, you may waste a lot of time waiting for the next bus or train. Another disadvantage may be getting to and from the bus stop or train station. If the stop is not within walking distance, you will have to drive or be driven to it. If you drive, you may have to pay to park your car at the stop or station.

If you use mass transit during rush hours, finding space to sit on trains and buses may be another disadvantage. Unless you board at one of the first stops, you may have to stand for most of the ride.

Taxicabs offer door-to-door service with no parking problems and no car owner responsibilities. Taking a cab also offers the convenience of coming and going as you please so long as cabs are available.

A big disadvantage of cabs is their expense. Traveling by taxi on a regular basis would be very costly. Another disadvantage is that taxis are sometimes difficult to find in rush hour or bad weather. Therefore, taxis are not always a reliable form of transportation.

Riding in a car pool is economical for people who come and go to the same places at the same times. Car pooling can save energy, minimize parking problems, and reduce traffic congestion. Many people enjoy the companionship of a car pool when it is made up of people who get along well together.

On the other hand, some people find car pooling a great inconvenience. Since the needs of other riders must always be considered, car pooling allows little or no flexibility. Nor does a car pool provide an answer to transportation needs outside the pooling situation.

When you drive a car, you can come and go as you please. Many people take pride and pleasure in owning their own cars. If your

9-1 Traveling by bus in the city and suburbs can be a convenient, inexpensive form of transportation.

204 Dodge
21
GMC

EVANSTON CHAMBER OF COMMERCE

work involves time on the road, having a car may be an absolute necessity.

Although a car is a convenient and comfortable form of transportation, owning a car is a big responsibility and expense. The purchase price of a car is only the start of the costs. You must also pay for insurance, licensing, maintenance, and parking. In some urban areas, parking and traffic problems may rob you of any satisfaction and convenience you would gain by driving yourself.

Depending on your transportation needs, a motorcycle, moped, or bicycle may offer a convenient way of traveling, 9-3. Compared

CHICAGO TRANSIT AUTHORITY

9-2 Commuter trains are a common form of mass transit in large cities.

SCHWINN

9-3 Bicycling is not only a form of exercise and recreation, it may also be a means of transportation.

to cars, two wheelers are inexpensive forms of transportation. They conserve energy and require little parking space. They are also easy to maneuver in traffic.

The main disadvantage of two wheelers is the high accident rate, particularly on highways and in heavy traffic. (Driving a motorcycle or a moped safely requires special skill and constant attention.) They are also uncomfortable to ride in bad weather and inconvenient if you need to carry passengers or lots of gear.

Evaluating the choices

One person's ideal means of transportation may not work at all for the next person. As you consider your transportation alternatives, follow these guidelines.

Determine transportation needs. Where do you live? Where must you go? When and how often do you need transportation?

Identify available choices. Do you have access to mass transit? Could you join or form a car pool? Do you own a bicycle, moped, or motorcycle that you could use for transportation? Can you walk to most of the places you need to go? Is a family car available to you? Would buying a car be a practical and affordable alternative?

Compare costs. What are the daily, weekly, and monthly fares for public transportation? How much would it cost to drive and maintain a car? How much would it cost to car pool?

Consider comfort and convenience. Is public transportation close to your home? Will it take you where you want to go? Is it reliable? Does it run at convenient times? If you drive your own car, would there be a problem with traffic and parking? Would the weather permit you to ride a bicycle, moped, or motorcycle?

Consider safety. What is the safety record of the mass transit system? Would you feel safe getting on and off or waiting at the transit stop during the hours you travel? If driving, would you have to travel on congested highways during rush hours? Is your car, bicycle, moped, or motorcycle equipped with important safety features?

Consider personal preferences. Do you want a car of your own, or would you rather not have the responsibilities and expenses of car ownership? Do you prefer public transportation to driving your own car? Would you prefer biking or walking if possible?

Deciding how to get from here to there may be a big decision for many. In the following case studies, Mark, Julie, and Chris and Holly must decide what method of transportation will be best for them. Consider how you would choose in each situation.

Case Studies

GOOD NEWS AND BAD NEWS

Mark lives in Chicago. He goes to college part-time and works part-time. His apartment is close to campus, so he walks to all his classes.

Concerning his job, Mark has both good news and bad news. The good news is that he works for a law firm. The work is great experience for him since he is studying to become a paralegal. The bad news is that the law firm is quite a distance from where he lives and goes to college. If Mark rides the bus, the trip takes an hour, and he has to transfer twice. On his way to work, shortly after noon, the bus is usually on schedule and rarely crowded. The ride home, during rush hour, is different. Mark often has to wait as several full buses pass before one stops for passengers. When a bus does stop, it is usually so crowded that Mark ends up standing most of the way home.

Since Mark does not like taking a bus to and from work, he is considering other forms of transportation. Cabs are out of the question because of their cost. Besides, he would have trouble getting a cab during rush hour when he leaves work.

Mark could buy a used car, but the cost of owning a car and parking it at work and on campus would be expensive. Plus, he has few transportation needs outside his job. He spends most of his nonworking time around the campus where he can walk.

Mark has a bicycle, but the distance to work is too far to bike every day. He could afford a motorcycle, but he is not eager to drive it in city traffic and in winter weather. He would like to be in a car pool, but he doesn't know anyone who drives where and when he needs to go.

Questions to discuss

1. If you were Mark, what factors would you consider in making a transportation choice?
2. For Mark, what would be the advantages and disadvantages of public transportation? A bicycle? A motorcycle? Car ownership? A car pool?
3. How could Mark find out if there is a car pool he could join?

TRANSPORTATION FOR JULIE

Julie has her first full-time job. She is on an investigative reporting team for a large newspaper. Much of her research and investigation must be done on location. This means that Julie must be able to travel around the city quickly at any time of day.

Since Julie doesn't have a car, she relies mainly on city buses for transportation. However, buses run infrequently except during rush hours. Another problem is that Julie can't keep track of all the bus routes and schedules because she goes to so many different places each day.

Three other members of the reporting team have their own cars. When Julie goes on group assignments, one of them drives. When Julie goes on her own, she can sometimes borrow a car from one of the other reporters. Still, there are times when getting where she has to go is a problem.

Julie lives close enough to the office to walk in good weather, and she rides a bus in bad weather. Her apartment is close to stores and restaurants, so she can walk to most of the places she wants to go on her free time. Even so, Julie often feels that she needs her own car or moped. Then she could get around the city conveniently on her own.

Questions to discuss

1. What factors should Julie consider carefully before she makes a decision about transportation?
2. What are the advantages and disadvantages of owning a car? A moped?
3. How would you solve Julie's transportation needs?

TO OWN OR NOT TO OWN?

In one short month, Chris and Holly graduated from college, got married, and moved to their first city apartment. Both of them have full-time jobs. Holly works at a bank, and Chris works at an advertising agency. Their apartment is located in the heart of the city. It is close to their jobs, to shopping, and to most of the places they want to go.

Chris and Holly have a four-year-old car. They needed a car in college, but now that they are in the city, the car is a liability. With parking and traffic problems, trying to drive to work or anyplace in the city is frustrating and expensive. And renting a parking space near their apartment is very costly.

The only time Chris and Holly use their car is on weekends when they go driving in the country. But days, even weeks, go by when they do not use their car at all. With the cost of parking and insurance, they agree that the car has become an expensive extra.

Chris and Holly discuss their alternatives. They could keep the car, paying for the convenience of having a car when they want one. They could ask Holly's family to keep the car for them. Then they would have the car for vacations. It also would be available if they needed it at a later time. Or they could sell the car and rent a car when they need to have one.

Questions to discuss

1. What are the advantages and disadvantages of having a car in a large city? Under what circumstances would you want to own a car in the city?
2. Can you think of other choices open to Chris and Holly?
3. What is the approximate cost of renting

a car for a day, a week, or a month?

4. What would you do in Chris and Holly's situation? Why?

BUYING A CAR

For most people in the United States, mobility means a car. Close to 85 percent of the adult population own a car, and almost one third of the households own two or more cars.

Before buying a car, you need to know how to evaluate cars and how to compare the value of one with another, 9-4. Once you select a car, you then have the responsibilities of paying for it, insuring it, and maintaining it. When you are ready to think about buying a car, consider the following questions. Your answers will help you decide if you need a car and if you can afford to buy one.

What do you want in a car?

Think about why you want a car and how you will use it. Do you want a car primarily as a necessity, a convenience, or a pleasure? Will you drive mostly on city streets or rugged country roads? Will you drive short or long distances? Will you need space for carrying passengers or cargo?

Another factor to consider is the appearance of the car. Do you want a specific make, model, size, and color? Or are you just looking for a car you can afford? For some, price will be the key consideration. If you are concerned about fuel economy and safety features, you may want to compare several car models. If your main concerns are good warranty coverage and reliable service, you may want to buy from a specific car dealer.

What will a car cost?

The purchase price of a car is only the beginning of car owner expenses. If you take out a loan to buy a car, you'll also pay interest on the loan. Taxes, car registration, and a valid license plate are other expenses that go with owning a car.

Once you buy a car, you will face the costs of insuring, operating, and maintaining it. The cost of insurance will vary with the car you buy and the amount of coverage you want. The cost of operation will depend on the price of gasoline and the average number of miles (kilometres) you plan to drive each week. The cost of maintenance may be difficult to determine. However, you should expect to pay more for the maintenance and repair of a used car than a new car.

Parking and highway tolls are other expenses you may have with a car. Estimate these and all the other expenses you will have to see how much a car will cost to buy and own.

How much can you afford to spend on a car?

You will need to evaluate your overall finances to decide how much you can afford to spend on a car. Most people don't have enough cash to buy a car outright. Instead, they make a down payment and then pay monthly installments. To buy a car, you will need money for a down payment and enough income to make the monthly payments. You will need money for licensing, registration, insurance, gasoline, and emergency repairs.

To determine how much you have to spend, subtract all your monthly expenses from your monthly income. How much is left? Will you have enough to pay monthly installments and operating expenses? Can you save enough of your income to pay for future insurance premiums and car repairs? Make sure you plan for all the car expenses you will have.

What cars are selling at the price you can pay?

Finding the car you want at a price you can afford may be a real challenge. If your car allowance is small, think used. Most first-time car owners drive used cars. If you shop carefully, you should be able to find a good used car for a much lower price than you would pay for a new one.

Depreciation is the main reason you can buy a used car for less money. *Depreciation* is the amount of resale value a new car loses as it ages. In just one year, most cars lose about 30 percent of their original value. To check suggested prices on used cars, look at a copy of the *NADA Official Used Car Guide* or *Your Price Authority Blue Book*. Usually you can find these books at bookstores, libraries, or used car lots.

To learn more about car prices and car values, do a little investigating. Visit new car showrooms, and talk to used car dealers. Check the classified ads for used car prices, and read consumer publications for information on different cars.

What car features are important to you?

Manufacturers are continually adding new features to cars. Many of today's cars have automatic transmissions, air conditioning, power steering, and power brakes. Some are also equipped with cruise control, AM/FM radios, power windows, and luxurious interiors. Some features contribute to safety, performance, and economy. Others are primarily for appearance and convenience. You will have to decide what features you need and want.

As you shop for a new car, compare features of various car models. Check to see which features are standard equipment and which are options that will cost extra. Even if you are shopping for a used car, be sure to consider the features. Extra features raise the price of any car, new or used. You can save money by not paying extra for features you don't want and won't use.

Where should you buy the car?

Most cars, new and used, are purchased from dealerships. Dealerships differ in terms of selection, price, and servicing. It pays to visit several dealerships and make comparisons. As you shop, consider these questions. What is the dealer's reputation in the community? Are previous customers satisfied? Are the selling techniques fair? Is the advertising believable? Does the dealer belong to organizations such as the Better Business Bureau, Chamber of Commerce, and National Automobile Dealers Association? Can you get itemized price quotes for cars and added options? Are the quoted prices the prices you would really pay? (Beware of a dealer or salesperson who quotes you an attractive price and then raises it when you come back to buy.) How does the service department look? Is it well equipped and staffed with skilled mechanics? See 9-5.

Dealerships are not the only places to buy a used car. You can also buy one from an individual owner, at a car rental firm, or at a

CHIAT/DAY, INC.

9-4 If you plan to join the car owners of the country, it will pay you to learn the ins and outs of buying a car.

government or bank auction. However, when you buy from a private owner or at an auction, you usually get no guarantee. Normally you get a warranty of a few months when you buy a used car from a dealer. Then if you have car problems within those months, the dealer is responsible for service and repairs.

How do you evaluate the warranty?

Normally, autos carry full warranty protection on some parts and limited protection on others. Items such as the air conditioner, radio, and tires carry separate warranties. When shopping for a car, study the warranty to learn just what it covers and what you must do to receive warranty coverage.

A full warranty generally provides for free repair or replacement of any defective part during the warranty period. Auto warranties usually run for one year or for the first 12,000 miles (about 19,000 kilometres). A limited warranty offers less than full protection. Read it carefully to understand the limitations.

Most auto warranties set forth specific maintenance requirements the owner must meet during the warranty period. If the car needs any repairs during that time, they must be made by a factory-authorized service department to keep the warranty valid. However, routine maintenance may be done by an independent service station as long as the work and the parts meet specifications in the owner's manual.

The final four-point check

After answering the many questions about car buying, you may be ready to zero in on the car of your choice. However, before you part with your money, take time to check the car over carefully—in the driver's seat, on the road, under the hood, and on paper.

In the driver's seat. Sit in the driver's seat and see if you are within comfortable reach of the steering wheel, foot pedals, and controls. Also check to see if you have good visibility. Make sure you can see well out the front, side, and rear windows.

On the road. Test drive the car to see how well it handles in traffic, on the open road, and when starting, stopping, turning, and parking. Is it comfortable and easy to drive? Also test all the equipment and controls, such as the emergency brake, turn signals, horn, radio, windshield wipers, headlights, etc.

Under the hood. If you don't know much about cars, ask a friend who does to help you look under the hood. Take an overall look at the engine. You may want to check the levels of all the fluids—oil, water, brake, transmission, and power steering. If they are low, it could be a sign of leakage or that the car has been poorly maintained. Also check the condition of the tires. Then start the engine. If you hear any strange noises, find out what is causing them. The car should idle smoothly and should not emit any burning odors.

On paper. The checklist in 9-6 should help you evaluate the items that are important to you when buying a car. When the car you are considering passes the four-point check, you are ready to buy with confidence.

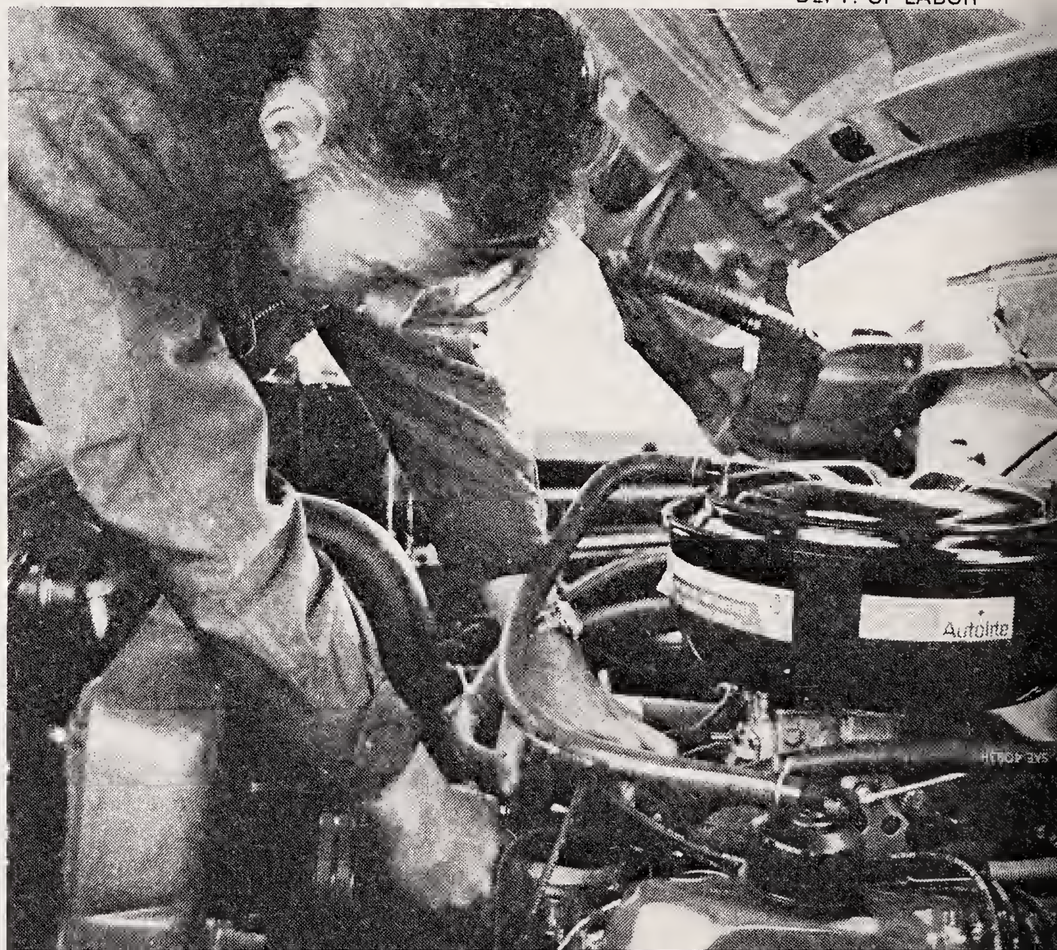
Case Studies

TO BUY OR BE SOLD

Bart is in the market for his first car. Besides wanting a car of his own, Bart also needs one. He attends a college that is a three-hour drive from his family's home. His part-time job is across town from campus, and mass transit is not available.

9-5 Before buying from a dealership, check the reputation of the dealer and the service department.

DEPT. OF LABOR



THE "ON PAPER" CAR REVIEW

	GOOD	FAIR	POOR
Cost factors Total price of the car, including options, taxes, delivery charges, preparation charges, and all other fees.			
Cost of servicing.			
Fuel economy.			
Warranty coverage Number of miles (kilometres).			
Period of time.			
Parts covered.			
Labor covered.			
Responsibilities of the buyer.			
Safety features and considerations Seat belts and shoulder harnesses.			
Visibility.			
Acceleration speed.			
Braking speed.			
Ease of handling.			
Comfort and convenience Smooth riding.			
Sound insulation.			
Passenger space.			
Seating comfort.			
Ease of getting in and out.			
Luggage space.			
Deal and dealer Reputation of dealer.			
Service facilities.			
Availability of parts.			
Efficiency of service.			
Convenient location.			
Appearance of car Design.			
Model.			
Color.			
Interior.			

9-6 By completing the "on paper" car review, you can check to see if the car you want to buy meets your specifications.

Bart is excited about buying a car, but he is cautious enough to look carefully before choosing one. He will be spending his own hard earned cash, and he wants to spend it wisely.

Cars have always interested Bart. He is familiar with all the makes and models. He reads the performance standards and new car ratings every year. This knowledge has given Bart a head start. He already knows what make and model he wants and what features he would like. He has already decided to buy a new car rather than a used one. Since he plans to drive the car for a long time, he has decided that the extra investment will be well spent. Bart has saved enough money for a large down payment. The income from his part-time job will take care of the monthly payments. Bart is ready to buy. All he has to do is find the best deal.

Bart begins his shopping at Moe's Motors which is located near campus. Bart has seen and heard some of Moe's ads. They claim that Moe's has the lowest priced cars around.

As soon as Bart steps into Moe's showroom, he knows he is going to have quite an experience. One of the many salespersons approaches Bart and says, "You look like a man who knows cars. Let me tell you, we make the best deals around. You can almost name your own price."

Although Bart says he is only looking, the salesperson is not discouraged. She leads Bart away from the model he really wants to see and shows him a sports car with all the options. The salesperson tells Bart the car is priced at an all-time low because the new models will be delivered soon. The sales pitch sounds tempting—"You won't strike a better deal anyplace . . . She runs like a dream . . . She can't be passed on the open road . . . She'll make you feel like a man."

The car is a beautiful machine. Before he knows it, Bart finds himself behind the wheel taking the sporty car for a test drive.

Questions to discuss

1. Should Bart consider this car rather than the car he originally intended to buy?
2. Do you think the deal is as good as it sounds? How could Bart find out for sure?
3. What would you do if you were Bart?

JUST GET ME TO MY JOB ON TIME

Wendy is faced with a transportation problem that seems to have no answer except buying a car of her own. She has very little interest in cars, but now she needs one. She has just landed her first job teaching health and physical education at three schools. She has to spend time at each school every day. Driving is the only way she can get to work.

The only thing greater than Wendy's lack of interest in cars is her lack of knowledge about cars. She doesn't know or care anything about them. All she wants is a reliable car to get her to work on time in all kinds of weather.

Wendy does know that a car will cost a lot of money, even if she buys a used one. She can afford a down payment and reasonable car payments, but Wendy doesn't want to spend a lot of money on a car.

Questions to discuss

1. What do you think Wendy needs to learn about cars before shopping? Before buying?
2. Where can Wendy get reliable information about car buying?
3. What type of car do you think Wendy needs? Why?
4. What factors related to the car and the dealer might be especially important to Wendy since she knows and cares so little about cars?

EXPERIENCE IS THE BEST TEACHER

Chuck and Carol Moore are twins. They will be sixteen in two weeks. With two new drivers in the family, the Moores decide it's time for a second car. The twins understand that the new car will be a family car, but they expect to drive it quite a bit.

Mr. and Mrs. Moore are busy people who believe in learning by doing. They decide to give Chuck and Carol the responsibility of researching the new car purchase and doing the initial shopping. This will save Mr. and Mrs. Moore time, and it will be an ideal learning experience for the twins.

Mr. and Mrs. Moore write down the following guidelines and turn the car research over to the twins.

Mr. and Mrs. Moore's Guidelines:

Describe on paper the needs the family has for a car, and list the types of cars that would meet those needs.

Review current magazines and books to learn about different makes, models, options, and list prices.

Discuss the car purchase with experienced adults, such as the driver education teacher, and with friends who have recently bought cars.

Choose three or four car possibilities based on what you learn from researching and investigating.

Shop at several dealerships to compare cars, prices, warranties, and servicing.

Present three recommendations, and give at least five supporting reasons for each recommendation you make.

Questions to discuss

1. What do you think of Mr. and Mrs. Moore's guidelines?
2. Do you think Chuck and Carol will be able to do a good job of finding a family car by following the guidelines? Why?
3. What problems might Chuck and Carol have in carrying out this project?
4. How would you feel about accepting the responsibility of shopping for a family car?
5. What do you think Carol and Chuck will learn from this experience? What would you expect to learn?

FINANCING A CAR

Financing a car can be an expensive project. Most purchases of new and used cars are financed. This means the buyer takes out a loan and pays for the car with monthly payments. Financing a car costs more than paying cash because you pay interest on the money borrowed. By understanding how a car is financed, you will be able to shop more intelligently for financing.

Sources of financing

Car loans can be obtained from a variety of sources. It pays to shop for the best deal on a loan just as you shop for the best deal on a car. The *car dealer* is one source. Dealer financing is a convenient, on-the-spot source of financing. For the convenience, you sometimes pay a higher interest rate on the car loan.

When asking the dealer about auto financing, be sure to insist on separate quotes for the car and the financing. This is the only way you can compare finance charges and terms fairly with other loan sources. Beware of a dealer who tries to package the car and the financing together. This can be a costly package. After finding out about the dealer's financing, compare it with car financing from other sources. You can always come back to the dealer.

Consumer finance companies also offer car loans to consumers. Buyers without established credit ratings normally find it easier to get a car loan from these companies than from other lenders. By offering loans to consumers who have no established credit rating, these companies are taking greater risks. Therefore, they usually charge higher interest rates than some other lenders.

Commercial banks usually offer car loans to consumers who have good credit ratings. Interest rates often are lower than the rates from dealers and finance companies.

Among the least expensive sources of car loans are *credit unions*. If you are a member of a credit union, you can usually get a loan at a relatively low interest rate.

Some *life insurance companies* loan money to policyholders. However, the amount of a loan cannot exceed the cash value of the policy. The interest rate is usually low. But if the loan is not repaid, the amount of the loan and interest is deducted from the benefits. This reduces the value of the life insurance.

Types of financing

The two major types of car loans are the single payment loan and the installment loan. To obtain either loan, the borrower must pledge the car as security or collateral. This means that the creditor will hold the title to the car until the loan is paid in full. If the borrower fails to repay the loan, the lender may legally repossess the car and sell it.

When you take out a *single payment loan,* you repay the loan in one lump sum at a specified time. A single payment loan is often written for 90 days. At the end of 90 days or the specified time, you, the borrower, repay the loan and the interest or pay the interest and renew the loan.

Generally, rates on single payment loans are lower because they require little paperwork. However, many people have difficulty repaying a large amount in one lump sum. Therefore, most buyers use installment loans.

The *installment loan* is repaid in equal monthly payments over a period of time. The size of the monthly payments and the length of the repayment period for installment loans vary greatly. This makes it relatively easy for car buyers to obtain loans they can afford to repay comfortably. However, lower monthly payments and longer repayment periods increase the amount of interest. Therefore, a buyer will pay less for an installment loan by repaying the loan in a short amount of time.

Costs of financing

The cost of financing varies with the annual percentage rate, the amount of the loan, and the repayment period. Consider these three variables carefully as you shop for a loan.

The annual percentage rate. The higher the rate of interest you are charged, the more money you pay. For example, the interest on a $2500 loan repaid in 12 monthly payments would be:

$165.50 at 12 percent.
$250.50 at 18 percent.
$336.75 at 24 percent.

You can pay less by shopping for the lowest rates available.

The amount of the loan. The more money you borrow, the more interest you pay. For example, the interest on a loan repaid in 12 monthly payments at an annual rate of 18 percent would be:

$150.30 for a $1500 loan.
$200.04 for a $2000 loan.
$300.60 for a $3000 loan.

You can pay less by increasing the down payment and decreasing the size of the loan.

Repayment period. The longer you borrow money, the more interest you pay. For example, the interest on a $2500 loan at an annual rate of 18 percent would be:

$250.50 if repaid in 12 monthly payments.
$371.25 if repaid in 18 monthly payments.
$495.50 if repaid in 24 monthly payments.
$753.75 if repaid in 36 monthly payments.

You can pay less by increasing the size of monthly payments and shortening the repayment period.

Finance contracts

The *Truth in Lending Law* requires creditors to provide borrowers with a complete written account of credit terms and costs. According to this law, a loan contract must state:

- The amount borrowed or financed.
- The total amount to be repaid.
- The *finance charges* (the total amount paid for the use of credit, including interest charges and any other fees).
- The *annual percentage rate* or *APR* (rate of interest figured on a yearly basis).
- The date charges begin to apply.
- The number, amount, and due dates of installment payments.
- The penalties for late payment, default, or prepayment.
- The description of the security pledged (which is usually the car).

If the agreement is with the dealer, the contract must also state:

- A full description of the car.
- The actual price of the car.
- The deferred payment price (the price of the car including interest rate charges).
- The amount of the down payment.

For your own protection, before signing any car loan agreement, be sure to read it carefully. Ask questions if any part of the contract is unclear. Make sure there are no blank spaces or lines to be filled in later. Also, pay special attention to the creditor's legal rights in case of late payment, default, or prepayment. You should be aware of any possible consequences. Finally, review your financial situation one more time. Be sure you can carry out your responsibilities and make payments according to the terms set forth in the contract, 9-7.

CAR OWNER RESPONSIBILITIES

Owning a car is a big responsibility to yourself and the people around you. If you fail to assume the responsibility for your car, you may be breaking the law and taking dangerous risks. Not only can you harm yourself, you can also endanger others.

As a car owner, you are expected to assume two major responsibilities. You are expected to carry adequate car insurance and to operate and maintain your car properly and safely.

Auto insurance

As a car owner and operator, you take certain personal and financial risks. If you are involved in a car accident, you may have to pay for injuries, property damage, and legal proceedings. If you are in an accident where you are at fault, you may have to pay thousands of dollars in damages. The possibility of being in a car accident makes car insurance essential. Practically no one can afford the financial risks of a serious injury, a possible death, or extensive property damage without insurance coverage, 9-8.

When you are ready to buy auto insurance,

RADIO SHACK

9-7 Before you sign an auto financing agreement, check over your financial situation carefully. Be sure you are able to take on the responsibility and expense of a car.

you will need to shop very carefully to get the coverage you need at the best price. An auto insurance policy may include one or several types of coverage for an individual or a family. There are six basic types of insurance coverage:

1. Bodily injury liability.
2. Property damage liability.
3. Medical payments.
4. Uninsured motorists.
5. Comprehensive physical damage.
6. Collision.

Bodily injury liability coverage protects you if you are legally liable for an accident in which others are injured or killed. The insurance covers the car owner and anyone else who drives the car with the owner's permission. It pays for the legal fees and for the damages assessed against you up to the limits stated in your policy.

Property damage liability coverage pays for any damage your car causes to the property of others if you are responsible for the accident. It also pays for the legal fees up to the limits stated in the policy.

Medical payments coverage pays for the medical expenses that result from a car accident, regardless of who is at fault. It covers you as a driver or passenger in your car or in someone else's car. It covers you as a pedestrian if you are hit by a car. Anyone injured in or by your car or a car you are driving is also covered. The policy pays up to the limits stated in the policy.

Uninsured motorist coverage pays for the injuries for which an uninsured or hit-and-run driver is legally liable. You are covered as a driver, passenger, and pedestrian. Passengers in your car are also covered.

Comprehensive physical damage coverage pays for damage to your car caused by something other than another vehicle. Some policies pay for damage caused by such things as fire, theft, vandalism, hail, water, and collision with animals.

Collision insurance pays for the damage to your car caused by a collision with another vehicle or object. Damages are paid regardless of who is at fault.

Cost of insurance

Auto insurance is a costly service. Coverage for young drivers is particularly high. For example, adding a teenage driver to a family policy may increase the insurance premiums by as much as 75 percent. The amount you pay for auto insurance depends on several of the following factors.

Driver classification. Driver classification is determined by the age, sex, and marital status of the driver and how often the driver uses the car. Young single males pay the highest premiums because, statistically, they are involved in more serious accidents. If a young man marries, his premium may decrease because married men are considered a lower risk. When your classification changes, so might your insurance rates.

Where you live. Insurance rates vary from state to state. They also vary in different areas of a state. The premium you are charged is determined by the number and amount of claims an insurance company processes. In areas where claims are frequent and high, premiums will be greater.

Eligibility for premium discounts. Some companies may reduce premiums for safe driving records, good students, non-smokers, non-drinkers, and older citizens. Premiums may also be discounted if you have two or more cars on a policy.

The year, make, and model of the car. The premiums for collision and comprehensive damage coverages will be higher for new, expensive cars than older, less expensive models.

The amount of the deductible. Most collision and comprehensive damage policies are written with a deductible clause. The *deductible clause* says that you will pay a specified amount of the damages and then the insurance company will pay for the remainder of the costs. Premiums for collision and comprehensive damage coverage can be reduced by increasing the deductible.

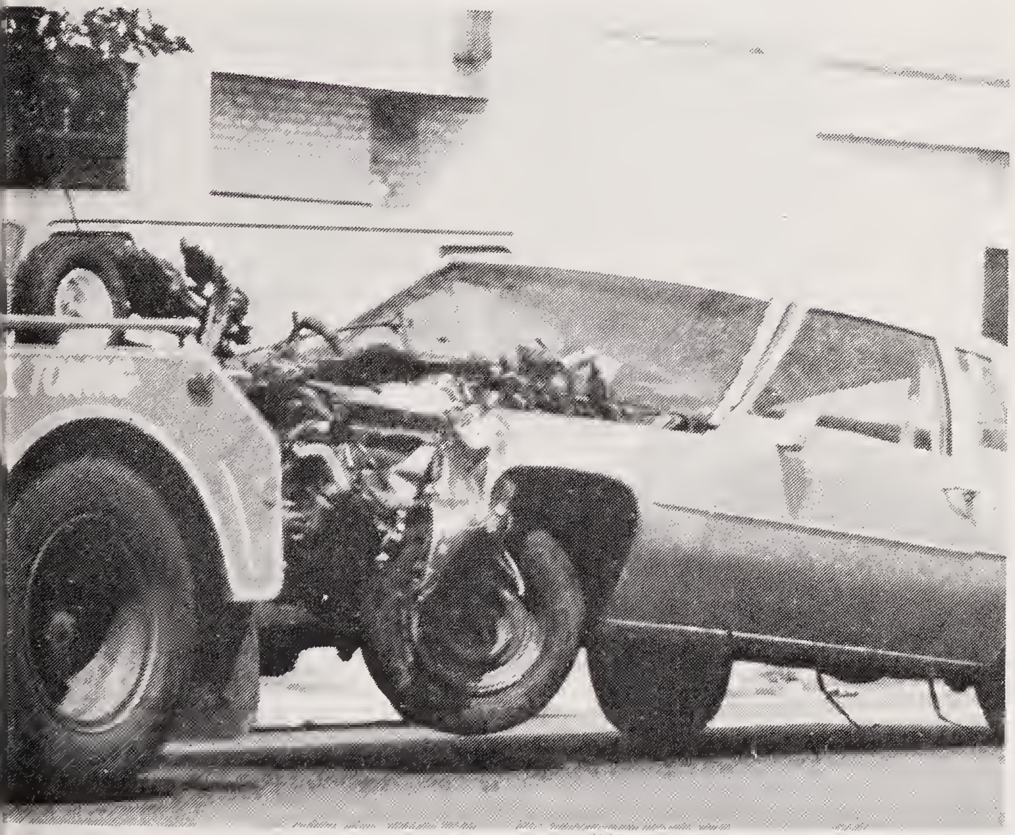
The amount of coverage. The more protection you buy, the more you pay in premiums. However, the cost per dollar of coverage is usually less for larger policies. For example, a $100,000 policy costs less per dollar of coverage than a $50,000 policy. Just remember to buy the amount of coverage you need.

The insurance company. Premiums for the same coverage may vary from company to company. Combining coverage into a single policy may cost less than buying each coverage separately.

After reading the guidelines in 9-9, you will be better prepared to select the automobile insurance you need for your particular car. To compare insurance costs, check the cost of coverage you need with several reliable insurance companies.

No-fault insurance

No-fault insurance is another form of auto insurance protection. It eliminates the fault-finding process. When an accident occurs, each policyholder makes a claim to his or her own insurance company for the actual financial losses and medical expenses caused by the accident. Each company pays its policyholder regardless of who is at fault. No-fault insurance is thought to lower insurance rates because it reduces costly court trials to determine who is at fault.



INSURANCE INFORMATION INSTITUTE

9-8 If you are a car owner, you need insurance to cover your financial responsibility in case you are involved in an accident.

At present, state legislators decide if their state will adopt a no-fault insurance plan. Many of the states that have a no-fault plan actually have a combination no-fault and liability insurance. The no-fault pays for claims up to a set amount. The liability insurance pays for the remaining damages.

State no-fault insurance laws may vary greatly in the amount awarded for medical costs, funeral and burial expenses, loss of income, and other benefits. Claim limitations also differ in each state.

SUGGESTIONS FOR BUYING AUTOMOBILE INSURANCE

1. Decide on the types and amounts of coverage you need. If you now have a policy, review your coverage and its cost before renewal time.
2. Check with several reputable insurers. Keep in mind that the least expensive coverage is not necessarily the best for you. Consider such things as the company's reliability and its reputation for service, including claims handling. If you're in doubt about a company, check with your state insurance department.
3. Consider the amount you would save by paying a higher deductible. You may find it pays in the long run to take care of small losses yourself.
4. Check with your agent regarding your eligibility for premium discounts for:
   - Safe driving.
   - Graduates of driver education courses.
   - Good students.
   - Drivers over 65.
   - Low annual usage.
   - Farmers.
   - Multi-car families with all cars insured on the same policy.
   - Car pools.
5. Consider special coverages or higher policy limits if you frequently drive other commuters to work or groups of children to school or special events.
6. Consider reducing or dropping collision coverage as cars get older.

INSURANCE INFORMATION INSTITUTE

9-9 Follow these guidelines to help you select the auto insurance you need.

Operation and maintenance

You have much to gain when you operate and maintain your car properly. You will be rewarded with better car performance, greater driving safety, and greater car reliability. You will also have fewer breakdowns, fewer repairs, better fuel economy, less pollution, and greater trade-in value.

Operating your car. To operate your car correctly and safely, you need to be familiar with your car and all of its features. Begin by reading the owner's manual. Understand the purpose of every gauge and switch on the dashboard and steering column and know how to read or operate each one properly. If a warning light ever flashes, stop and investigate the problem immediately.

Before starting your car, adjust all mirrors properly. Adjust the rearview mirror and side mirrors so you can see traffic behind you and to the side of you. For safety, adults should buckle up with seat belts and shoulder harnesses. Small children should ride in approved safety seats in the back seat.

As you drive, start slowly and maintain a steady driving speed. Try to anticipate stops to avoid unnecessary braking and sudden stops except in emergencies. Always slow down for railroad crossings and bumps in the road. Also drive slower in hazardous driving conditions such as heavy rain, snow, sleet, or hail.

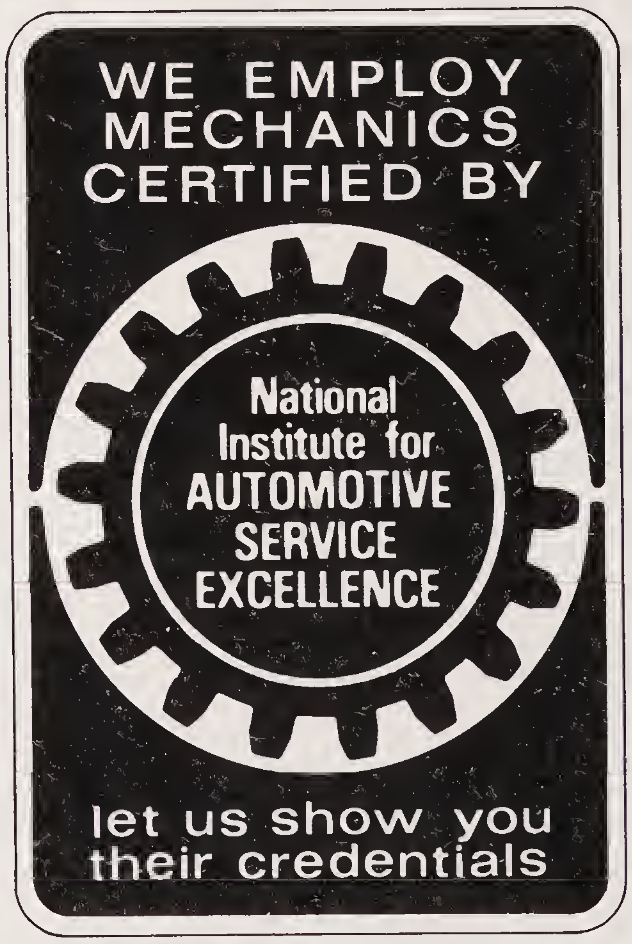
For safe driving, anticipate and prepare for the unexpected—which means driving defensively. Always give driving your full attention. Avoid reading maps, sight-seeing, eating, and drinking while driving. Since rear-end collisions are the most common kind of accident, watch the car ahead. To avoid being hit from the rear, always signal in advance your intentions to turn, stop, change lanes, or park.

Maintaining your car. Maintaining your car properly is also important to operating your car safely. Just as you read the operating procedures for your car, study and follow the owner's manual for car maintenance. For routine maintenance, you need to keep a close check on the fluids that keep your car battery, radiator, brakes, power steering, engine, and automatic transmission running smoothly.

You also need to keep a close check on your tires. For safer driving and better fuel economy, keep the tire pressure at the recommended level. Replace worn tires with the proper size as recommended in the owner's manual.

Whenever your car makes a strange noise or runs differently, investigate the problem. If you ignore little sounds and differences, a small problem may become a big one. If you discover the problem soon enough, you may have time to shop around for someone to make the repairs or adjustments inexpensively. If you wait until the last minute, you may have to have the car repaired at the nearest service station or repair shop. They you may not get the best service at the best price.

To get reliable auto servicing, look for certified mechanics who have passed the tests of the National Institute for Automotive Service Excellence (NIASE), 9-10 and 9-11. To find experienced, competent, non-certified mechanics, ask friends for recommendations and check the mechanic's reputation. Before choosing any mechanic, check with some of



NIASE

9-10 Look for this sign for competent auto repair.

his or her regular customers to find out if services are reliable, complete, reasonable, and satisfactory.

Look for repair shops with adequate service facilities to make the repairs you need. If a shop does not have basic equipment and parts on hand, it will be necessary to send out for parts or send your car to another shop. This will take longer and cost more. Look for a shop that offers a large parts inventory and complete servicing and repairs.

Check prices of routine servicing jobs and compare costs from shop to shop. Ask for price estimates before specific services or repairs are performed. For major repairs, ask for itemized estimates. For all repairs, ask for an itemized bill that lists parts and labor separately.

Find out how long it will take for servicing. Ask if you need an appointment for services or if they repair cars on a first come first served basis. If you can't get the service you need when you need it, you may need to choose another shop that services more quickly.

Consider the location and business hours of the repair shop. Choose one that is convenient for you. Also find out if the shop has a pickup and delivery service. Some shops may even

BRAKES
REPAIR

NIASE

9-11 Mechanics certified by the National Institute for Automotive Service Excellence often wear a distinctive orange and black NIASE patch.

drop you off at your home or work when you leave your car for servicing.

TWO WHEELERS

Whether you ride a one-speed bike, a speedy moped, or a high-powered motorcycle, two wheelers are economical to drive, easy to maneuver, and easy to park. Bicycles are pollution free. And powered cycles pollute far less than cars. Getting around on a two wheeler can also conserve a lot of fuel.

If you can satisfy part or all of your transportation needs with a two wheeler, there are many choices to consider. Bicycles, mopeds, and motorcycles come in many styles and sizes. Make your two-wheeler selection based on how you will use it, what size and style you prefer, and how much money you have to spend.

Selecting bicycles

Before selecting a bicycle, decide how you plan to use it. Will you use it for commuting, shopping, exercising, recreation, touring, or racing? Racing bikes are not for shopping and general purpose bikes are not best for commuting or racing.

Also choose a bike according to the size you need. Frame sizes range from 17 to 28 inches (42.5 to 70 cm) in length. Wheel diameters for adult bikes are usually 26 inches (65 cm). Generally, the frame size should be 10 inches (25 cm) shorter than the rider's inseam measure. The *inseam measure* is the length between the crotch and the ankle.

Speed choices include 1-speed for general use models, 3 to 5-speeds for all-purpose models, 10-speeds for commuter or short touring models, and 10 to 15-speeds for touring and racing models.

Single speed and some 3 to 5-speed models come with foot or coaster brakes which brake the bike by stopping the rear wheel. Most speed bikes (10 to 15-speed models) come with hand or caliper brakes which brake both wheels. For greater braking power, bicycle standards require caliper brake pads to be 3/4 inch by 2 inches (1.9 cm by 5 cm) in size.

All one-speed and most 3 to 5-speed bikes come with flat handle bars which are easy to control when riding. Tour and racing bikes usually come with turned up handle bars which provide riders with greater flexibility in riding positions.

Usually, the more speeds a bike has, the more expensive it will be. The size of the bike and the materials from which it is made also affect the price. You can buy a quality bike from a department store, discount house, or a specialized bike or sporting goods shop. You can also order a bike from a catalog. Prices may be lower if you buy and assemble the bike yourself. A fully assembled bike from a bicycle shop will usually cost more.

In most areas, you can find used bikes for sale in classified ads, at auctions, at house sales, and at bike shops. You may be able to find a very good buy on a used bike, but check the bike out carefully before buying. A reconditioned bike from a bicycle shop may be your safest bet when buying a used bicycle.

The life of a bike will depend on how well you maintain it. Proper maintenance is also important to bicycle safety.

Selecting mopeds

A moped serves well for local transportation and short commutes. However, it is not a highway vehicle. *Mopeds* are lightweight bikes that have pedals and a gasoline-powered engine, 9-12. They travel at speeds of 17 to 30 miles (27 to 48 kilometres) per hour and get 150 to 200 miles per gallon (64 to 85 kilometres per litre) of fuel. Most mopeds cost about the same as a quality 10 to 15-speed bike.

Licensing, registration, and driving restrictions for mopeds vary from state to state. Check your state laws before buying a moped to make sure you can ride it where you want to ride.

Selecting motorcycles

The way you will use a motorcycle will be the key to the type of cycle to buy. Basically, there are two types of street-legal motorcycles: *street bikes* and *combination street and off-road bikes.* Generally, street bikes are a better means of transportation because they are designed just for street riding. Combination cycles are designed for street and trail riding and usually ride less smoothly on the open road.

The size of motorcycle engines are measured in cubic centimetres. The average engine size runs between 200 cc and 400 cc. The larger the engine is, the more powerful it is. An engine over 400 cc may provide more power than necessary for normal transportation needs. The more power a motorcycle has, the more driving experience you need.

Engines are also classified as two-stroke engines and four-stroke engines. A *two-stroke engine* is most common on smaller cycles. It is lighter in weight, less expensive, more powerful for its size than a four-stroke engine. However, two-stroke engines are hard on spark plugs and must have oil mixed with the gasoline.

Four-stroke engines are the most common type of motorcycle engine. They are used almost exclusively on larger motorcycles. Although a four-stroke engine is heavier and more expensive than a two-stroke, it will wear longer and run smoother.

When looking for a bike, select one that is light enough to handle but heavy and stable enough to drive on the open road. Its price will depend on its size, engine power, and features, 9-13.

If possible, test drive the motorcycle before buying. You should feel comfortable and confident riding it. Check the noise, vibration, cruising speed, comfort, and handling ease. Excessive noise and vibration can be very tiring on long trips.

If you buy a motorcycle, practice driving it in an area with little or no traffic before riding it on the open road. Starting, shifting gears, braking, and gradual acceleration all are important skills to master. Although controls are similar on all motorcycles, you may find some bikes easier to handle than others.

A motorcycle that averages 30 to 50 miles per gallon (13 to 21 kilometres per litre) costs very little to drive. However, insurance will probably be very expensive. Since motorcycles are considered a greater risk to drive than

MOTOBECANE

9-12 You may be able to satisfy your transportation needs with a moped.

HARLEY DAVIDSON

9-13 A motorcycle can be a major investment. It pays to shop carefully for quality, features, and price.

cars, insurance companies charge higher premiums. Motorcycle insurance can run 50 to 100 percent more than car insurance. It may be difficult to get even then. Therefore, it pays to check on insurance costs before you buy a cycle.

As with mopeds, motorcycle licensing, registration, and traffic laws vary from state to state. For example, some states require cycle drivers to wear helmets and other states do not. Check your state laws before driving or buying a motorcycle.

Maintenance on motorcycles is often greater than maintenance for cars. Follow the instructions in the owner's manual for periodic servicing. Pay particular attention to lubrication and proper tire pressure. The wear life of cycles is closely tied to proper maintenance.

Remember, when shopping for a motorcycle, check out the dealers as you would car dealers. Buy from a reputable dealer that has a reliable service department. If you are considering a used motorcycle, check it out with great care. Very often, mechanical problems occur after the first two or three years of a motorcycle. Be prepared to spend some money on repairs. It takes careful, constant maintenance and attention to prolong the relatively short life of a motorcycle.

to Know

annual percentage rate (APR)
bodily injury liability insurance
collision insurance
comprehensive physical damage insurance
deductible clause
depreciation
finance charges
installment loan
medical payments insurance
no-fault insurance
property damage liability insurance
single payment loan
Truth in Lending Law
uninsured motorists insurance

to Review

1. Name two advantages and two disadvantages of mass transit.
2. What six factors should you consider when evaluating transportation choices?
3. Name eight expenses of buying and owning a car.
4. Name two sources you could use to check suggested prices of used cars.
5. What is depreciation and how does it affect the price of a car?
6. What is the disadvantage of buying a used car from a private owner or at a government or bank auction?
7. What do most full car warranties provide?
8. Name five sources of auto financing.
9. True or false. Consumer finance companies usually charge lower interest rates than other lenders.
10. How does a single payment loan differ from an installment loan?
11. What three factors influence the cost of financing a car?
12. What should you do before you sign a car loan contract?
13. __________ coverage pays for any damage your car causes to the property of others if you are responsible for the accident.
    a. Comprehensive physical damage.
    b. Uninsured motorist.
    c. Property damage liability.
    d. Bodily injury liability.
    e. Collision.
14. What seven factors determine auto insurance costs?
15. Which type of motorcycle is generally considered a better means of basic transportation?

to Discuss

1. If you were to organize a car pool of four to six people to go to and from work or school, what guidelines would you want to make clear to each rider?

2. How can you decide if you have enough money to buy, operate, and maintain a car?

3. What are some of the options that increase the price of a car?

4. Why do finance charges vary with different sources of credit?

5. Why are auto insurance costs higher for some drivers than for others?

6. What kinds of auto insurance coverage do you or your family have?

7. What factors should you consider before buying auto insurance?

8. What is the difference between no-fault auto insurance and regular auto insurance?

9. What can car owners do to help operate their cars safely and correctly?

10. What are some things a car owner can do to get reliable auto servicing?

11. What determines the price of a bicycle? What would make a bicycle more expensive?

to Do

1. Obtain copies of two or three new and used car warranties from dealers or from car owners in your family. Study the warranties and compare the:
   a. Parts and labor covered.
   b. Length of time or number of miles (kilometres) under warranty.
   c. Buyer responsibilities.
   d. Conditions for receiving warranty servicing and keeping the warranty in effect.

How do the used car warranties differ from the new car warranties? Discuss your findings with the class.

2. Check at least four sources of auto financing in your area and compare credit costs for:
   a. A $3500 loan for a used car.
   b. A $5000 loan for a new car.

In a short written report, explain how the annual percentage rate, the amount of the loan, and the repayment period affect credit costs. Also explain why credit costs differ for used and new cars.

3. Design a bulletin board about buying a car. Include in your display copies of all the legal papers and documents related to car buying and ownership such as a:
   - Purchase agreement.
   - Bill of sale.
   - Finance contract.
   - Warranty.
   - License application.
   - Certificate of title.
   - Car registration form.
   - Auto insurance policy.

4. Arrange as a class or individually to visit at least three auto service and repair facilities. Take note of the:
   - Experience and qualifications of mechanics.
   - Equipment and facilities for servicing different cars.
   - Guarantees on parts and servicing.
   - Charges for routine jobs such as a tune-up or an oil change.
   - Attitude of service people toward answering questions and complaints and satisfying customers.

As a class, discuss how the three service facilities compare. Does one seem preferable to another? If so, why?

5. At three different insurance companies, compare insurance costs for motorcycles to insurance costs for used and new cars. Report to the class how car and motorcycle insurance differ in cost and coverage.

724
apartment
FOR RENT

10

Where you live

After studying this chapter, you will be able to:

- Explain the factors to consider when choosing a housing location.
- Evaluate different types of housing.
- Describe the responsibilities of renting and buying a home.
- Compare and shop for home financing.
- Describe the two basic types of home insurance coverage.

The word "home" means different things to different people at different times in their lives. To some, a home is a base of operations—a headquarters. To others, a home is a secure shelter from a threatening or unfriendly world. It may be a place to go when there is nowhere else to go. Or a home may be a place for relaxing and entertaining. A home may be all these things and more. It's whatever people make it.

Over the years, people have lived in everything from caves to castles. Today, many housing choices are open to you. Since you will probably spend a large portion of your income on housing, you should consider your choices very carefully. The home you choose will influence the way you live and the people you meet. It may also affect your well-being and happiness.

When making housing decisions, you need to consider where you want to live. You need to decide what type of housing you want and need. You must determine how much you can afford to pay for housing. And you need to decide if you want to rent or buy a home.

HOUSING LOCATION

Where do you want to live? Would you prefer living in the country, a small town, a city, or a suburb? Some people like city living. Others like rural areas with lots of open space, 10-1. Still others try to have both by living in the suburbs. But there's more to choosing a location than choosing between city and country. Here are some other factors you should consider when you are trying to decide where to live.

Employment opportunities. What types of jobs are available in the area? Will you be able to find the type of work you want? How much money can you expect to earn if you work in the area? Local or state employment offices and chambers of commerce are places to check out employment opportunities in different areas.

Cost of living. What is the average cost of housing in the area? What are the costs of food, health care, transportation, and utilities? What are the rates for home and car insurance? The Bureau of Labor Statistics provides cost of living figures for different cities and parts of the country. Business and world almanacs also give cost of living and other economic information on different places. The cost of maintaining similar life-styles may vary as much as $2,000 to $3,000 a year in different locations.

Climate. What type of weather do you like—warm, dry, wet, cold, or mild? Is a change of seasons important to you? Would you rather live near the desert, the mountains, or the ocean? A world almanac or the National Climatic Center of the U.S. Department of Commerce can provide weather statistics for different cities. These statistics include average high and low temperatures, rain and snow fall, humidity, and wind speed.

Life-style. Will you be living alone or with a

10-1 Some people like the excitement and fast pace of city living, while others prefer the peace and quiet of the country.

AMERICAN PLYWOOD ASSN.

AMERICAN AIRLINES

roommate or spouse? Will there be children to consider? Young, single persons or childless couples may prefer living in the heart of a city. Families with young children may prefer to live in a suburb or small town where there is more space and a stronger sense of community.

Try to decide what things are most important to you. Do you want to live close to your family or friends? Do you want to live near a college or university to further your education? Do you want to be close to the mountains so you can ski in the winter? Your answers to these and similar questions will help guide your choice of location.

Neighborhood. Once you have narrowed your choices to a specific region, you can begin looking for a neighborhood you would like. Appearance is likely to be one of the first factors you consider when evaluating a neighborhood. Are the buildings attractive? Do the architectural styles offer variety and yet maintain harmony? Are both private and public areas well-kept? Are the yards attractively landscaped with trees, bushes, and flowers? Is the street layout both attractive and functional?

What is the character of the neighborhood? Does the area appear to be residential, commercial, industrial, or mixed? What zoning laws and building codes pertain to the neighborhood? Is the area relatively free of heavy traffic, noise, and air pollution? How would you assess property values now and in the future?

What are the ages, interests, and educational backgrounds of the people in the area? What are the common occupations, religions, and ethnic groups? What is the overall income level? Are most people single or married? Are there children in the neighborhood? Are there enough similarities to make life comfortable and enough differences to make it interesting? See 10-2.

How far is the neighborhood located from your work? How close do you want to be located to work? Is there adequate space for parking? Would you have to drive to work, or could you take public transportation?

10-2 Choosing a neighborhood is part of choosing a home. Most city neighborhoods attract a wide variety of residents.

HUD

Community facilities. What community services and facilities are available? Are services convenient to use and reasonable in cost? Does the community provide a good fire and police protection? Is there adequate water, electric power, and heating fuel? Does the community provide trash and snow removal? Are streets and other public areas well maintained? What is the quality of health care available? Is public transportation convenient and reliable?

Does the community sponsor athletic programs and cultural events? Are citizens actively involved in local government? Does the community have a library and a variety of shops and stores? Does it have parks and recreation centers?

Schools. Where are the school located? Are they noted for quality education? What are teacher qualifications and pay scales? What is the average class size? Are the textbooks and lab equipment up-to-date? Are special education programs offered for handicapped and exceptional students? What extracurricular activities are offered?

Sources of information. Be sure to check out a location carefully before you settle. Moving into a place that doesn't suit you can be costly in terms of happiness, time, and money. The following sources can provide helpful information about specific regions and communities:

- Chambers of commerce.
- Local newspapers and magazines.
- Yellow Pages and local government listings in phone books.
- Talks with long-time and recent residents of an area.
- Travel books and almanacs.
- Community organizations in the area.

Case Studies

UNIVERSITY LIVING

Lynn will be a freshman at a university in the fall. She is a good student and a good tennis player. She is also talented in music and drama. In spite of her talents, Lynn is shy and finds it hard to talk to new people. She is very close to her family and has never been away from home for more than a week. For these reasons, Lynn has mixed feelings about going to college. She wants to expand her education and experiences, but she is worried about being so far from home. The university she has chosen is 1400 miles (2250 km) from her hometown.

One of Lynn's major concerns is deciding where to live—on or off campus. If she lives on campus, should she choose a freshman dorm, an all-female dorm, or a coed dorm? Should she room with someone or alone? If she lives off campus, should she rent a room or an apartment?

Questions to discuss

1. What are the advantages and disadvantages of each housing alternative?
2. Where do you think Lynn should live her freshman year? Why?
3. What choice would you make if you were in Lynn's position? Why?
4. How might your choice differ if you were a senior at the university?

THE SEARCH IS ON

Milt has just finished a training program in automotive technology. He has also just landed a job as a mechanic in an auto service center in St. Louis. Now that he has a job, he must find a place to live. Milt is a man of action. He loads the car and sets out for St. Louis, thinking about the kind of home he wants as he drives.

After a ten-hour drive, Milt arrives in St. Louis in a pouring rain, hungry and tired. He checks into a motel close to the center where he will begin working next week. Milt knows he can't afford motel prices for long. He also knows he won't have much time to look for a place to live once he starts working. He figures he had better find a place of his own within the next three days.

Early the next morning, Milt begins his search for a place to live. A few things are certain. He wants a one-bedroom apartment—not a studio apartment. He also wants to be able to walk in and out of his apartment without taking an elevator. None of the high-rise buildings will do. He needs a place for his car. And he wants to be in an area where he will be able to meet lots of people his age.

Milt's problem is that he doesn't know where to start looking. He studies the classified ads for apartments, but they aren't much help because he doesn't know the city. Finally, Milt sits down and thinks about what he should do next. Here are some of the things he considers:

- Visit the chamber of commerce to get a map of the city and information on apartments in the area.
- Check out some of the apartments listed in the classified ads.
- Take a day or two to drive around St. Louis and get a feel for the city.
- Ask his employer about places to live.
- Go to a real estate agent for help in finding an apartment.
- Take a room at the YMCA for a few weeks until he is more familiar with the city.

Questions to discuss

1. If you were Milt, how would you search for a place to live?
2. Which of the ideas from Milt's list might you use in your search for a place to live?
3. What should Milt consider before he chooses an apartment?
4. If Milt wanted to share an apartment with a roommate, how could he go about finding someone?

JOINING FORCES

John and Susan met six months ago in the laundry room of the apartment building where they both live. Since that first meeting, neither of them has had much time for anything or anyone but each other. They plan to marry in two months and are looking for a new home. Both are tired of living in a swinging singles building, but they have different ideas about an ideal home.

John wants to live in the suburbs where there is more open space. He wants a two-story house with a basement and an attic. He wants space for a darkroom and his photography equipment. John also wants to move into an older house so he and Susan can have the challenge of fixing it up. Plus, John wants to make as large a down payment as they possibly can so they will pay less interest on the home loan.

On the other hand, Susan wants to be located in the heart of the city close to the theaters, the museums, and her work. She wants to live in a newly constructed condominium with modern appliances including a dishwasher. She doesn't want to make a very large down payment so they will have some cash for decorating, furnishings, and other needs.

However, John and Susan do agree on some points. Both want to buy rather than rent. They both want at least two bedrooms, some kind of outdoor space, and a garage. They also want a home with plenty of storage space, a separate dining room, space for entertaining, and a fireplace. And they both want to be able to commute to work easily.

Questions to discuss

1. How might John and Susan resolve their differences concerning an ideal home?
2. What would be most important to you in a first home?
3. What pros and cons do you see in:
   a. City vs. suburban living?
   b. New vs. old construction?
   c. Apartment vs. house?
   d. Owning vs. renting?
4. How might a young couple's list of housing goals and needs change with:
   a. Infants and preshcool children?
   b. School-age children?
   c. Teenagers?
   d. A live-in grandparent?
   e. Old age?

TYPES OF HOUSING

At different times in your life, you will most likely choose different types and styles of housing. Your choices will probably be compromises based on what you need and want, what you can afford, and what is available. You may want a country mansion, but your budget may demand a suburban apartment. You may want a three-bedroom cooperative, but there may not be any cooperatives in your area. You may want a two-story Colonial style house, but the only house for sale in the neighborhood you have chosen may be Ranch style. Such compromises present challenges, but knowledgeable home-hunters are able to meet these challenges and choose satisfying housing.

Apartments, condominiums, cooperatives

Almost all rental apartments, condominiums, and cooperatives are multifamily dwellings. Multifamily dwellings are buildings that house more than one family or living unit. Each living unit has its own complete living quarters.

Apartments, condos, and co-ops vary in the types of services and facilities they offer. They may or may not have laundry equipment, parking space, recreational facilities, and other services. When you are considering living in an apartment, condo, or co-op, use the checklist in 10-3. It will help you evaluate the building and grounds, the services and facilities, and the inside living space.

The main difference that separates rental apartments from condominiums and cooperatives is ownership. A person who lives in a rental apartment does not own it. The person only rents or leases the apartment from the owner. A person who lives in a condominium or cooperative is generally the owner of it. Condominium and cooperative ownership are similar in that buyers share common areas and have some voice in the management of the property. However, there are some distinct differences.

The buyer of a *condominium* owns the unit he or she occupies and owns a share of the surrounding building and grounds. See 10-4. The owner pays a monthly maintenance fee to cover the costs of operating, maintaining, and repairing the shared property. The owners generally elect a board of managers to make policy and management decisions for the shared property.

In some ways, owning a condo is like owning a single-family house. Most people obtain a mortgage when buying a condo. The condo owner, like the owner of a house, makes mortgage payments and pays property taxes. Thus, the condo owner has the same tax and equity benefits as the house owner. Another similarity is that both condo and house owners can make their own decisions about redecorating, refinancing, or selling their homes.

The buyer of a *cooperative* buys shares in a corporation which owns the property. In return, the buyer becomes a resident in a designated unit and a member of the cooperative. Owners pay a monthly assessment which covers their share of maintenance, services, building mortgage, and taxes. Usually it is necessary to obtain approval from an elected boad of directors before selling or remodeling a unit.

When buying a condominium or a cooperative, it is important to do some thorough homework. The soundness of this type of investment depends greatly on the management, restrictions, policies, and types of people involved in both ownership and management. Here are a few questions to investigate before buying.

How is the property managed, and who manages it? What voice do owners have in management decisions?

Are residents generally satisfied with the management and the building?

What is the financial status of the management group? Does the appraised value compare favorably with the selling price?

How much is the monthly maintenance fee or assessment? What does it cover? When and how can it be increased?

What control do occupants have over their individual units? Can they sell, remodel, rent, or refinance?

How does the condominium or cooperative unit compare with similar units in other buildings and with other forms of available housing in the area?

CHECKLIST FOR APARTMENTS, CONDOMINIUMS, AND COOPERATIVES

Building and Grounds

☐ Attractive, well-constructed building.
☐ Good maintenance and upkeep.
☐ Clean, well-lighted, and uncluttered halls, entrances, stairs.
☐ Reliable building management and supervision.
☐ Attractive landscaping with adequate outdoor space for tenants.
☐ Locked entrances, protected from outsiders.
☐ Clean, attractive lobby.

Services and Facilities

☐ Laundry equipment.
☐ Parking space (indoor or outdoor).
☐ Swimming pool.
☐ Tennis courts.
☐ Receiving room for packages.
☐ Convenient trash disposal.
☐ Adequate fire escapes.
☐ Storage lockers.
☐ Locked mail boxes.
☐ Elevators.
☐ Engineer on call for emergency repairs.
☐ Extras—window washing, decorating, maid service, shops.

Inside Living Space

☐ Adequate room sizes.
☐ Convenient floor plan.
☐ Suitable wall space for furniture.
☐ Soundproof. Listen for talking, footsteps, plumbing, and equipment noise from other apartments or hallways.
☐ Attractive decorating and fixtures.
☐ Pleasant views.
☐ Windows located to provide enough air, light, and ventilation.
☐ Agreeable size, type, and placement of windows.
☐ Windows with blinds, shades, screens, and storm windows.
☐ Easy cleaning and maintenance.
☐ Attractive, easy-to-clean floors.
☐ Furnished appliances in good condition.
☐ Clean, effective heating, thermostatically controlled.
☐ Up-to-date wiring.
☐ Conveniently placed electric outlets.
☐ Well-fitted doors, casings, cabinets, and built-ins.
☐ Extras—air conditioning, carpeting, dishwasher, disposer, fireplace, patio.

MONEY MANAGEMENT INSTITUTE, HOUSEHOLD INTERNATIONAL

10-3 This checklist can help you choose an apartment, condominium, or cooperative that will meet your housing needs.

CENTEX HOMES CORP.

10-4 When you buy a condominium, you also share the ownership of the building, grounds, parking areas, and recreational facilities with the other condominium owners.

Single-family houses

The single-family house is still the most popular type of housing. It is designed to house one family or living unit.

If you decide you want to live in a house, you will face many decisions. A few people may decide to build a house of their own. But the majority of people will choose a house that is already built. Single-family houses are built in a variety of ways.

Custom-built houses are usually the most expensive type of housing. They often take the longest to plan and build, too. A custom-built house is usually designed by an architect for the person or family wanting to build. Then a contractor is hired to build the house according to the architect's plan.

Tract houses are built by a developer who, in a sense, creates a neighborhood by building many houses at once. These houses are built from similar plans in order to keep costs down. On the negative side, most tract houses look alike and lack the individuality of custom-built houses.

Modular houses and *kit houses* are mostly built in factories. Then they are moved in modules or sections to the home site and completed. These are usually the least expensive types of houses.

Town houses are single-family houses that usually share one or both sidewalls with other town houses. Like tract houses, several town houses are usually built at the same time from similar plans. In recent years, town houses have become more popular. Some are individually owned and others offer condominium or cooperative ownership. Some can be rented on a monthly or yearly basis.

If you are planning to move into a single-family house, there are a number of factors to consider, 10-5. Of greatest importance is the construction of the house. Be sure to check both outside and inside construction features. Also evaluate the outside of the house, the yard, and the inside living space. Choose a house that is conveniently designed for your life-style and housing needs. Looking at different types of houses can help you decide what type of house you like best.

If you decide to build or buy a home, there are many professionals who can help you. Chart 10-6 lists who the experts are, what they do, and how they can help you make housing decisions.

Mobile homes

Mobile homes are another housing alternative. Mobile homes generally cost less than other types of housing with comparable living space and facilities. Maintenance costs are relatively low too. Another advantage for people who move frequently is that mobile homes can be moved.

Mobile homes do have some disadvantages. Most communities restrict the location of mobile homes. Some mobile homes have very little living and storage space. Frequent storm damage has also been a negative factor. However, today's mobile homes are safer than those of the past due to federal safety standards. These standards relate to body and frame construction, plumbing, heating, and electrical systems.

Before you buy a mobile home, consider the following guidelines.

Choose a dealer carefully. Check dealer reputation with local banks, businesses, the Better Business Bureau, the chamber of commerce, mobile home parks, and previous customers. Also find out if the dealer is a member of the Manufactured Housing Association.

Figure and compare total costs. Find out what the purchase price does and does not include. Compare the costs of finance charges and insurance. Check the prices of a mobile home lot, delivery to the lot, and installation.

Look for seals that indicate safety and quality. The *All9.1 seal* shows that a mobile home meets minimum standards set by the American National Standards Institute and The National Fire Protection Association. the *UL seal* of approval from Underwriters Laboratories insures wiring safety. The *MHMA-TCA seals* are given by the Mobile Homes Manufacturers Association and the Trailer Coach Association. These seals indicate that a mobile home meets building standards required to get Federal Housing Administration (FHA) and Veterans Administration (VA) loans.

Check warranty terms. Check the warranties for the mobile home and for the appliances and equipment that come with it. Find out what is warranted and how long it is warranted.

Consider mobile home features. Find out how the mobile home is heated, insulated,

CHECKLIST FOR SINGLE-FAMILY HOUSES

Outside House and Yard

☐ Attractive, well-designed house.
☐ Suited to natural surroundings.
☐ Lot of the right size and shape for house and garage.
☐ Suitable use of building materials.
☐ Compatible with houses in the area.
☐ Attractive landscaping and yard.
☐ Good drainage of rain and moisture.
☐ Dry, firm soil around the house.
☐ Mature, healthy trees—placed to give shade in summer.
☐ Convenient, well-kept driveway, walks, patio, porch.
☐ Parking convenience—garage, carport, or street.
☐ Distance between houses for privacy.
☐ Sheltered entry—well-lighted and large enough for several to enter the house together.
☐ Convenient service entrance.

Outside Construction

☐ Durable siding materials—in good condition.
☐ Solid brick and masonry—free of cracks.
☐ Solid foundation walls.
☐ Weather stripped windows and doors.
☐ Noncorrosive gutters and downspouts, connected to storm sewer or splash block to carry water away from house.
☐ Copper or aluminum flashing used over doors, windows, and joints on the roof.
☐ Screens and storm windows.

Inside Construction

☐ Sound, smooth walls with invisible nails and taping on dry walls; without hollows or large cracks in plaster walls.
☐ Well-done carpentry work with properly fitted joints and moldings.
☐ Properly fitted, easy-to-operate windows.
☐ Level wood floors with smooth finish and no high edges, wide gaps, or squeaks.
☐ Well-fitted tile floors—no cracked or damaged tiles—no visible adhesive.
☐ Good possibilities for improvements, remodeling, expanding.
☐ Properly fitted and easy-to-work doors and drawers in built-in cabinets.
☐ Dry basement floor with hard smooth surface.
☐ Adequate basement drain.
☐ Sturdy stairways with railings, adequate head room—not too steep.
☐ Leakproof roof—in good condition.
☐ Adequate insulation for warmth and soundproofing.

Living Space

☐ Convenient floor plan and traffic paths from room to room.
☐ Convenient entry with foyer and closet.
☐ Convenient work areas (kitchen, laundry, workshop) with adequate drawers, cabinets, lighting, work space, electric power.
☐ Bedrooms located far enough from other parts of the house for privacy and quiet.
☐ Social areas (living and dining rooms, play space, yard, porch, or patio) convenient, comfortable, large enough for family and guests.
☐ Rooms conveniently related to each other—entry to living room, dining room to kitchen, bedrooms to baths.
☐ Adequate storage—closets, cabinets, shelves, attic, basement, garage.
☐ Suitable wall space and room size for your furnishings.
☐ Outdoor space convenient to indoor space.
☐ Windows located to provide enough air, light, and ventilation.
☐ Agreeable type, size, and placement of windows.
☐ Usable attic and/or basement space.
☐ Possibilities for expansion.
☐ Attractive decorative features and fixtures.
☐ Extras—fireplace, air conditioning, porches, new kitchen and baths, built-in equipment.

10-5 Use this checklist to help you evaluate the appearance, construction, and living space of single-family houses.

MONEY MANAGEMENT INSTITUTE, HOUSEHOLD INTERNATIONAL and furnished. Also find out the capacity of the hot water heater. Make sure the mobile home you choose has the features that will provide you with the comfort, convenience, and safety you want and need.

Choose a mobile home park carefully, 10-7. As you shop for a lot in a mobile home park, compare the costs involved in renting and buying. Look closely at the design and management of different parks. Find out

THE EXPERTS

WHO ARE THEY?	WHAT DO THEY DO?	WHEN DO YOU NEED ONE?
Real Estate Agents or Realtors (Only licensed agents belonging to the National Association of Realtors may use the term Realtor.)	Bring buyer/tenant and seller/landlord together and negotiate a deal acceptable to both. Provide helpful information on community tax rates, schools, services, shopping, property values, etc. Recommend lenders and help arrange financing for home purchase. Represent the seller in a sale and receive a commission for services—usually a percentage of the price.	When you need help finding the housing you want in an area you like at a price you can pay. When you are unfamiliar with an area and need facts to decide exactly where and what to buy or rent. When you need help finding professional services and home financing. When you want to sell a home at a fair price in a reasonable length of time.
Lawyers	Represent either buyer or seller in transferring real estate. Protect client's interests when selling, buying, building, or leasing a home. Draw up agreements for client and check agreements drawn by others before the client signs. Represent client at the closing of a real estate transaction.	When you buy or sell a home. When you have questions about a housing contract or lease. When you become involved in a dispute with a landlord, seller, builder, or buyer in a real estate transaction. Before you sign any contract or agreement involving more money or time that you can afford to sacrifice.
Architects (Only registered members or Fellows of the American Institute of Architects may use the initials AIA or FAIA.)	Draw up plans for building or remodeling. Choose suitable building materials. Help find a lot suited to the house design. Hire and work with the contractor and supervise building.	When you want to build a house or do extensive remodeling. When you want a custom-designed home.
Contractors	Accept responsibility for building or remodeling a home. Order building materials. Hire and supervise workers. See that work is done according to specifications and terms in the contract.	When you want to build a home or make home improvements.

10-6 These experts can help you buy, sell, lease, build, or remodel a home.

what services are available free or for a fee. Ask about the rules and regulations of the parks. Be sure you will feel "at home" in the park you choose.

BUDGETING FOR HOUSING

Before choosing a place to live, you will need to determine how much money you can spend on housing. You can estimate your ability to pay for housing in many different ways. Three methods are discussed here.

Since most people pay housing costs by the month, you may want to figure a monthly allowance. Most financial advisors suggest that you limit monthly housing costs to one-third of your monthly take-home pay. Take-home pay is the amount of money you receive after taxes and other deductions are subtracted from your paycheck. Housing costs include not only rent or mortgage payments, they also include utility costs, property taxes, and homeowner's or renter's insurance. This is a good method to use if you know exactly what your take-home pay is.

Here is another way you can determine a monthly housing allowance.

1. Total the amount you have to spend each month. Include all income and earnings.
2. Total all non-housing monthly expenses. Include all expenses for food, clothing, transportation, recreation, loans, etc.
3. Subtract your total monthly non-housing expenses from your total monthly income. The balance tells you how much you have to spend for housing each month.
4. Adjust earnings, spending, and housing costs if necessary. If you don't have enough money to rent or buy the home you want, you can do one of three

MANUFACTURED HOUSING DEALER MAGAZINE

10-7 Choose a mobile home park that is well managed and well maintained.

things. You can try to increase your income, spend less on non-housing expenses, or choose a less expensive home.

If you are buying a home, there is another budgeting guide to follow. Most people can afford to spend 2 1/2 times their gross annual income for the purchase price of a home. Gross income is the amount of money you earn before taxes and other expenses are deducted. If your gross annual income is $20,000, you should be able to afford a $50,000 home.

These three methods are only guidelines to follow when budgeting for housing. The amount you can afford will also depend on other factors. You can probably spend more on housing if most of the following statements apply to you. Your family is small. Living costs in the area are low. You expect your income to increase regularly for a number of years. Your non-housing expenses are not likely to increase greatly. You are willing to spend less on other goods and services to have the home you want. You have enough savings and insurance to cover emergencies and unexpected cash needs.

If you are buying a house, you may be able to spend more if the following statements apply. The house is in good condition and equipped with good appliances. You can take care of many maintenance, repair, and decorating jobs yourself. Property taxes are low and not expected to increase greatly. You can make a large down payment. You can arrange reasonable long-term financing.

You should probably spend less on housing in general under the following circumstances. Your income is irregular or not expected to increase. Your family is large. You have large non-housing expenses or debts. Living costs in the area are high. You have no cash reserves or emergency funds. Housing is less important to you than other wants and needs.

If you are buying a house, you should probably spend less if the following statements apply to your situation. You buy an older house that needs many repairs. The house is poorly equipped or without the appliances you need. Property taxes are high and expected to increase. Home mortgage rates are high and terms are unfavorable. You can make only a small down payment.

RENTING A HOME

Renters usually have two major financial responsibilities—to make a security deposit and to pay the stated rent each month. A *security deposit* insures the landlord against financial losses in case the renter damages the dwelling or fails to pay rent. A renter pays the security deposit to the landlord when he or she first moves into a rental unit. The amount of the deposit is generally one month's rent.

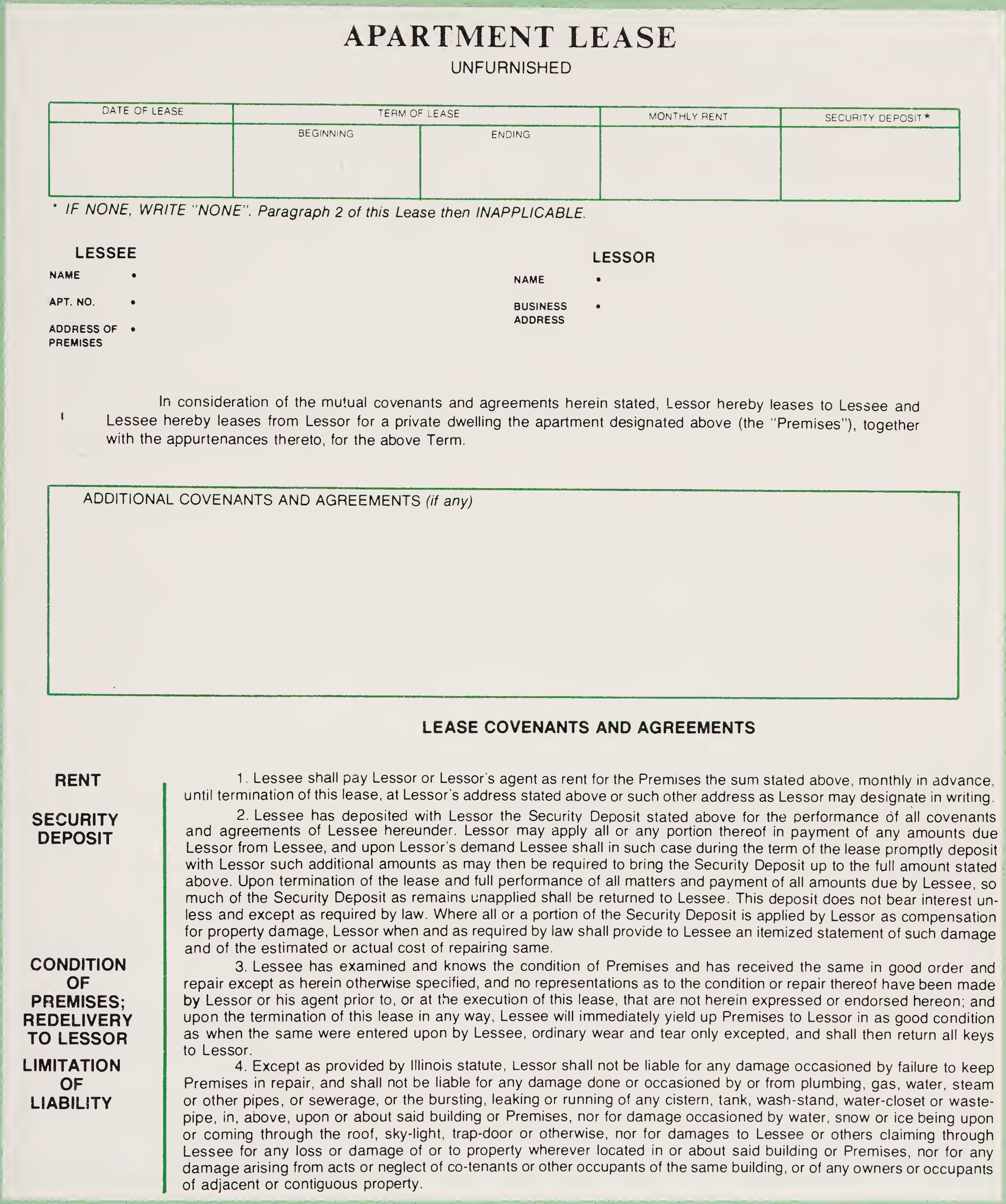
The renter is also responsible for respecting the property, taking care of the rental unit, and paying the utility bills. Usually water and gas bills are included in the price of the rent. Electricity bills are not usually included.

Renters don't have the responsibilities of making major home repairs, paying property taxes, and worrying about property values. They don't need a large sum of money to make a down payment, something they would need if they were buying. Renters also avoid the burden of a home mortgage.

Another advantage of renting is the freedom to move easily. When you rent, you usually don't commit yourself for more than one year. After one year, you can move or continue to rent the same unit. But when you buy, you make a long-term housing commitment. Selling a house is usually a lot more involved than ending a rental agreement.

Any type of housing can be rented, but apartments are the most common rental units. Housing can be rented on a month-by-month basis or for a longer period of time such as a year.

Most renters are asked to sign a lease when they begin renting. A written *lease* is a legal rental agreement between the tenant (lessee) and the landlord (lessor), 10-8. It outlines the terms and conditions under which the tenant rents the property. The lease also explains the rights and responsibilities of both the tenant and the landlord. Before you sign any lease, you should read it carefully and know the answers to the following questions.



APARTMENT LEASE

UNFURNISHED

DATE OF LEASE	TERM OF LEASE		MONTHLY RENT	SECURITY DEPOSIT*
	BEGINNING	ENDING		

* *IF NONE, WRITE "NONE". Paragraph 2 of this Lease then INAPPLICABLE.*

LESSEE

NAME •

APT. NO. •

ADDRESS OF PREMISES •

LESSOR

NAME •

BUSINESS ADDRESS •

In consideration of the mutual covenants and agreements herein stated, Lessor hereby leases to Lessee and Lessee hereby leases from Lessor for a private dwelling the apartment designated above (the "Premises"), together with the appurtenances thereto, for the above Term.

ADDITIONAL COVENANTS AND AGREEMENTS *(if any)*

LEASE COVENANTS AND AGREEMENTS

RENT

1. Lessee shall pay Lessor or Lessor's agent as rent for the Premises the sum stated above, monthly in advance, until termination of this lease, at Lessor's address stated above or such other address as Lessor may designate in writing.

SECURITY DEPOSIT

2. Lessee has deposited with Lessor the Security Deposit stated above for the performance of all covenants and agreements of Lessee hereunder. Lessor may apply all or any portion thereof in payment of any amounts due Lessor from Lessee, and upon Lessor's demand Lessee shall in such case during the term of the lease promptly deposit with Lessor such additional amounts as may then be required to bring the Security Deposit up to the full amount stated above. Upon termination of the lease and full performance of all matters and payment of all amounts due by Lessee, so much of the Security Deposit as remains unapplied shall be returned to Lessee. This deposit does not bear interest unless and except as required by law. Where all or a portion of the Security Deposit is applied by Lessor as compensation for property damage, Lessor when and as required by law shall provide to Lessee an itemized statement of such damage and of the estimated or actual cost of repairing same.

CONDITION OF PREMISES; REDELIVERY TO LESSOR

3. Lessee has examined and knows the condition of Premises and has received the same in good order and repair except as herein otherwise specified, and no representations as to the condition or repair thereof have been made by Lessor or his agent prior to, or at the execution of this lease, that are not herein expressed or endorsed hereon; and upon the termination of this lease in any way, Lessee will immediately yield up Premises to Lessor in as good condition as when the same were entered upon by Lessee, ordinary wear and tear only excepted, and shall then return all keys to Lessor.

LIMITATION OF LIABILITY

4. Except as provided by Illinois statute, Lessor shall not be liable for any damage occasioned by failure to keep Premises in repair, and shall not be liable for any damage done or occasioned by or from plumbing, gas, water, steam or other pipes, or sewerage, or the bursting, leaking or running of any cistern, tank, wash-stand, water-closet or waste-pipe, in, above, upon or about said building or Premises, nor for damage occasioned by water, snow or ice being upon or coming through the roof, sky-light, trap-door or otherwise, nor for damages to Lessee or others claiming through Lessee for any loss or damage of or to property wherever located in or about said building or Premises, nor for any damage arising from acts or neglect of co-tenants or other occupants of the same building, or of any owners or occupants of adjacent or contiguous property.

10-8 A lease clearly states the rights and responsibilities of both the landlord (lessor) and the tenant (lessee).

USE; SUBLET; ASSIGNMENT

5. Lessee will not allow Premises to be used for any purpose that will increase the rate of insurance thereon, nor for any purpose other than that hereinbefore specified, nor to be occupied in whole or in part by any other persons, and will not sublet the same, nor any part thereof, nor assign this lease, without in each case the written consent of the Lessor first had, and will not permit anv transfer, by operation of law, of the interest in Premises acquired through this lease, and will not permit Premises to be used for any unlawful purpose, or purpose that will injure the reputation of the same or of the building of which they are part or disturb the tenants of such building or the neighborhood.

USE AND REPAIR

6. Lessee will take good care of the apartment demised and the fixtures therein, and will commit and suffer no waste therein; no changes or alterations of the Premises shall be made, nor partitions erected, nor walls papered, nor locks on doors installed or changed, without the consent in writing of Lessor; Lessee will make all repairs required to the walls, ceilings, paint, plastering, plumbing work, pipes and fixtures belonging to Premises, whenever damage or injury to the same shall have resulted from misuse or neglect; no furniture filled or to be filled wholly or partially with liquids shall be placed in the Premises without the consent in writing of Lessor; the Premises shall not be used as a "boarding" or "lodging" house, nor for a school, nor to give instructions in music, dancing or singing, and none of the rooms shall be offered for lease by placing notices on any door, window or wall of the building, nor by advertising the same directly or indirectly, in any newspaper or otherwise, nor shall any signs be exhibited on or at any windows or exterior portions of the Premises or of the building without the consent in writing of Lessor; there shall be no lounging, sitting upon, or unnecessary tarrying in or upon the front steps, the sidewalk, railing, stairways, halls, landing or other public places of the said building by Lessee, members of the family or other persons connected with the occupancy of Premises; no provisions, milk, ice, marketing, groceries, furniture, packages or merchandise shall be taken into the Premises through the front door of said building except where there is no rear or service entrance; cooking shall be done only in the kitchen and in no event on porches or other exterior appurtenances; Lessee, and those occupying under Lessee, shall not interfere with the heating apparatus, or with the lights, electricity, gas, water or other utilities of said building which are not within the apartment hereby demised, nor with the control of any of the public portions of said building; use of any master television antenna hookup shall be strictly in accordance with regulations of Lessor or Lessor's agent; Lessee and those occupying under Lessee shall comply with and conform to all reasonable rules and regulations that Lessor or Lessor's agent may make for the protection of the building or the general welfare and the comfort of the occupants thereof, and shall also comply with and conform to all applicable laws and governmental rules and regulations affecting the Premises and the use and occupancy thereof.

ACCESS

7. Lessee will allow Lessor free access to the Premises at all reasonable hours for the purpose of examining or exhibiting the same, or to make any needful repairs on the Premises which Lessor may deem fit to make; also Lessee will allow Lessor to have placed upon the Premises, at all times, notice of "For Sale" and "To Rent", and will not interfere with the same.

RIGHT TO RELET

8. If Lessee shall abandon or vacate the Premises, the same may be re-let by Lessor for such rent and upon such terms as Lessor may see fit; and if a sufficient sum shall not thus be realized, after paying the expenses of such reletting and collecting, to satisfy the rent hereby reserved, Lessee agrees to satisfy and pay all deficiency.

HOLDING OVER

9. If the Lessee retains possession of the Premises or any part thereof after the termination of the term by lapse of time or otherwise, then the Lessor may at Lessor's option within thirty days after the termination of the term serve written notice upon Lessee that such holding over constitutes either (a) renewal of this lease for one year, and from year to year thereafter, at double the rental specified under Section 1 for such period, or (b) creation of a month to month tenancy, upon the terms of this lease except at double the monthly rental specified under Section 1, or (c) creation of a tenancy at sufferance, at a rental of ____________ dollars per day for the time Lessee remains in possession. If no such written notice is served then a tenancy at sufferance with rental as stated at (c) shall have been created, and in such case if specific per diem rental shall not have been inserted herein at (c), such per diem rental shall be one-fifteenth of the monthly rental specified under Section 1 of this lease. Lessee shall also pay to Lessor all damages sustained by Lessor resulting from retention of possession by Lessee.

RESTRICTIONS ON USE

10. Lessee will not permit anything to be thrown out of the windows, or down the courts or light shafts in said building; nothing shall be hung from the outside of the windows or placed on the outside window sills of any window in the building; no parrot, dog or other animal shall be kept within or about said apartment; the front halls and stairways and the back porches shall not be used for the storage of carriages, furniture or other articles.

WATER AND HEAT

11. The provisions of subsection (a) only hereof shall be applicable and shall form a part of this lease unless this lease is made on an unheated basis and that fact is so indicated on the first page of this lease, in which case the provisions of subsection (b) only hereof shall be applicable and form a part of this lease.

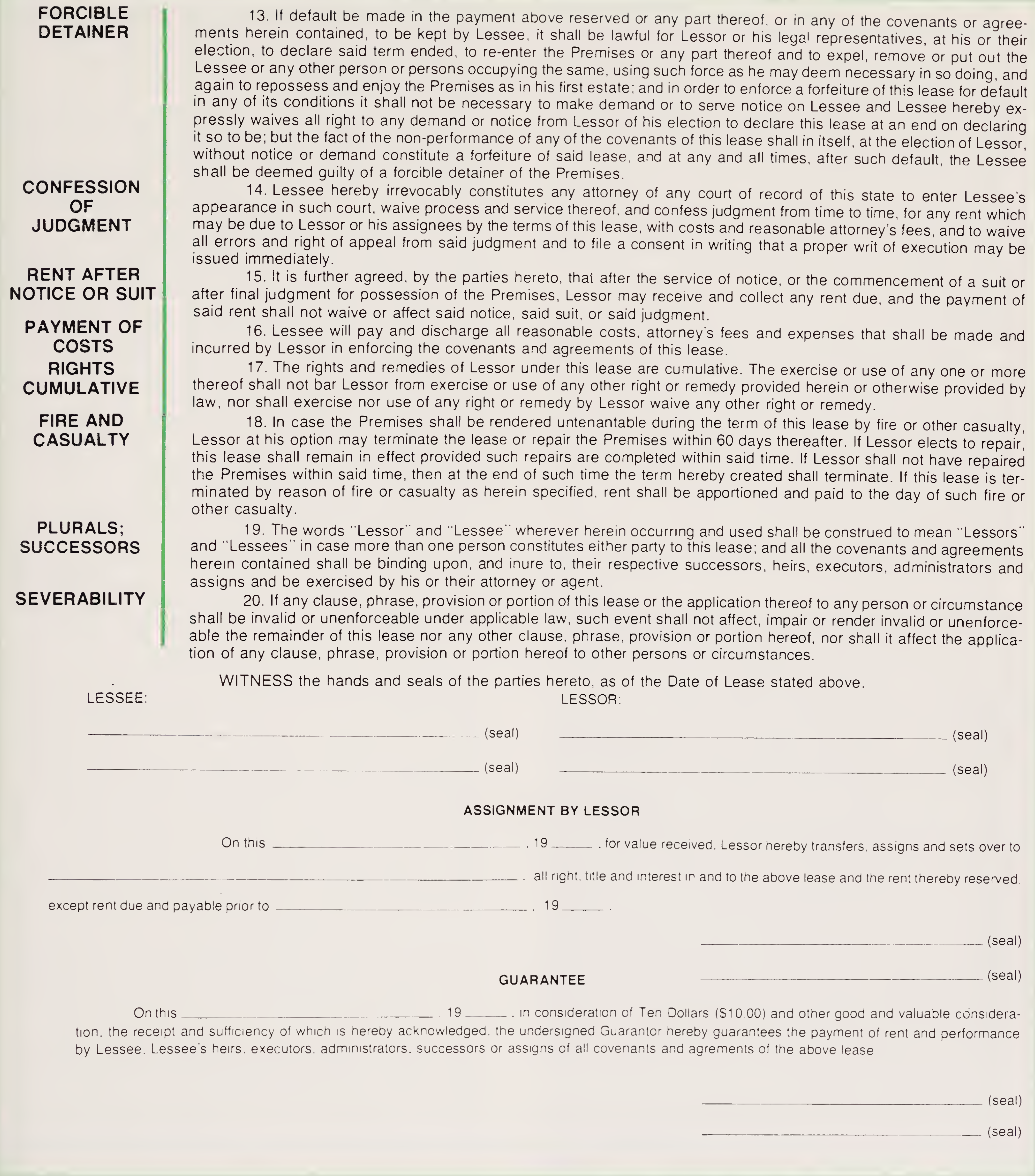
(a) Lessor will supply hot and cold water to the Premises for the use of Lessee at all faucets and fixtures provided by Lessor therefor. Lessor will also supply heat, by means of the heating system and fixtures provided by Lessor, in reasonable amounts and at reasonable hours, when necessary, from October 1 to April 30, or otherwise as required by applicable municipal ordinance. Lessor shall not be liable or responsible to Lessee for failure to furnish water or heat when such failure shall result from causes beyond Lessor's control, nor during periods when the water and heating systems in the building or any portion thereof are under repair.

(b) Lessor will supply cold water to the Premises for the use of Lessee at all faucets and fixtures provided by Lessor therefor Lessor shall not be liable or responsibie to Lessee for failure to furnish water when such failure shall result from causes beyond Lessor's control, nor during periods when the water system in the building or any portion thereof is under repair. All water heating and all heating of the Premises shall be at the sole expense of Lessee. Any equipment provided by Lessee therefor shall comply with applicable municipal ordinances.

STORE ROOM

12. Lessor shall not be liable for any loss or damage of or to any property placed in any store room or any storage place in the building, such store room or storage place being furnished gratuitously and not as part of the obligations of this lease.

10-8 (continued)



FORCIBLE DETAINER

13. If default be made in the payment above reserved or any part thereof, or in any of the covenants or agreements herein contained, to be kept by Lessee, it shall be lawful for Lessor or his legal representatives, at his or their election, to declare said term ended, to re-enter the Premises or any part thereof and to expel, remove or put out the Lessee or any other person or persons occupying the same, using such force as he may deem necessary in so doing, and again to repossess and enjoy the Premises as in his first estate; and in order to enforce a forfeiture of this lease for default in any of its conditions it shall not be necessary to make demand or to serve notice on Lessee and Lessee hereby expressly waives all right to any demand or notice from Lessor of his election to declare this lease at an end on declaring it so to be; but the fact of the non-performance of any of the covenants of this lease shall in itself, at the election of Lessor, without notice or demand constitute a forfeiture of said lease, and at any and all times, after such default, the Lessee shall be deemed guilty of a forcible detainer of the Premises.

CONFESSION OF JUDGMENT

14. Lessee hereby irrevocably constitutes any attorney of any court of record of this state to enter Lessee's appearance in such court, waive process and service thereof, and confess judgment from time to time, for any rent which may be due to Lessor or his assignees by the terms of this lease, with costs and reasonable attorney's fees, and to waive all errors and right of appeal from said judgment and to file a consent in writing that a proper writ of execution may be issued immediately.

RENT AFTER NOTICE OR SUIT

15. It is further agreed, by the parties hereto, that after the service of notice, or the commencement of a suit or after final judgment for possession of the Premises, Lessor may receive and collect any rent due, and the payment of said rent shall not waive or affect said notice, said suit, or said judgment.

PAYMENT OF COSTS

16. Lessee will pay and discharge all reasonable costs, attorney's fees and expenses that shall be made and incurred by Lessor in enforcing the covenants and agreements of this lease.

RIGHTS CUMULATIVE

17. The rights and remedies of Lessor under this lease are cumulative. The exercise or use of any one or more thereof shall not bar Lessor from exercise or use of any other right or remedy provided herein or otherwise provided by law, nor shall exercise nor use of any right or remedy by Lessor waive any other right or remedy.

FIRE AND CASUALTY

18. In case the Premises shall be rendered untenantable during the term of this lease by fire or other casualty, Lessor at his option may terminate the lease or repair the Premises within 60 days thereafter. If Lessor elects to repair, this lease shall remain in effect provided such repairs are completed within said time. If Lessor shall not have repaired the Premises within said time, then at the end of such time the term hereby created shall terminate. If this lease is terminated by reason of fire or casualty as herein specified, rent shall be apportioned and paid to the day of such fire or other casualty.

PLURALS; SUCCESSORS

19. The words "Lessor" and "Lessee" wherever herein occurring and used shall be construed to mean "Lessors" and "Lessees" in case more than one person constitutes either party to this lease; and all the covenants and agreements herein contained shall be binding upon, and inure to, their respective successors, heirs, executors, administrators and assigns and be exercised by his or their attorney or agent.

SEVERABILITY

20. If any clause, phrase, provision or portion of this lease or the application thereof to any person or circumstance shall be invalid or unenforceable under applicable law, such event shall not affect, impair or render invalid or unenforceable the remainder of this lease nor any other clause, phrase, provision or portion hereof, nor shall it affect the application of any clause, phrase, provision or portion hereof to other persons or circumstances.

WITNESS the hands and seals of the parties hereto, as of the Date of Lease stated above.

LESSEE:	LESSOR:
______________________________ (seal)	______________________________ (seal)
______________________________ (seal)	______________________________ (seal)

ASSIGNMENT BY LESSOR

On this ______________________, 19____, for value received, Lessor hereby transfers, assigns and sets over to ______________________________, all right, title and interest in and to the above lease and the rent thereby reserved, except rent due and payable prior to ______________________, 19____.

______________________________ (seal)

______________________________ (seal)

GUARANTEE

On this ______________________, 19____, in consideration of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned Guarantor hereby guarantees the payment of rent and performance by Lessee, Lessee's heirs, executors, administrators, successors or assigns of all covenants and agrements of the above lease

______________________________ (seal)

______________________________ (seal)

10-8 (continued)

What will the rental unit cost? What is the rent? Is a security deposit required? If so, how much is it? Does the deposit draw interest? How do you get the deposit back? When may the landlord keep part or all of it? What will you pay for utilities?

How many rooms are in the unit? How large are they? What furnishings and appliances are included? What building services and facilities are available? What comes with the apartment and what costs extra?

What term does the lease cover? What are the beginning and ending dates of the lease? When do payments begin? When can you move in? When must you renew the lease or give notice that you will not renew?

What happens if you leave before the lease expires? Can you sublet or assign the lease to someone else? What are the conditions for doing so? What will be your responsibilities if the person taking over does not pay the rent?

What conditions rule your use of the space? Can you paint, wallpaper, and decorate? If you install shelving, carpet, or equipment, can you remove it later? Can you keep pets? Can you have a roommate?

Who is responsible for upkeep, maintenance, and repairs? What does the landlord maintain, and what do you maintain? What can either of you do if the other fails to carry out upkeep and maintenance responsibilities?

What legal remedies are available? What can you do if the landlord breaks the lease in some way such as failing to make necessary repairs or to provide adequate heat? What can the landlord do if you break the lease by not paying the rent or failing to obey building rules? Does the lease outline ways such as arbitration or legal action to handle disagreements with the landlord? Who pays the legal costs of settling differences?

What other details are important? Are all spaces in the lease filled in accurately, including dates, dollar amounts, addresses, and names? Are all verbal agreements written into the lease? Where and how do you contact the landlord or rental agent with questions, problems, or complaints? Do you understand all clauses, obligations, and consequences? If you have questions or doubts about signing, have you asked a lawyer's advice?

BUYING A HOME

Over 60 percent of people in the United States choose to become homeowners at some point in their lives. For many people, a home gives a sense of permanence and security. A home is a source of pride and satisfaction. And home buyers have the freedom of decorating their homes as they like.

Buying a home may be a smart financial move. When you buy a home, you are making an investment. You are buying something you probably can resell for a profit. In addition, the interest you pay on a home mortgage and the property tax you pay on a home may be deducted from your income tax. Most renters do not have these financial advantages.

On the other hand, buying a home involves more financial responsibilities than renting. Once you find a home you like and can afford, there are many financial and legal matters to settle.

Purchase agreement. When the buyer agrees to buy and the seller agrees to sell, they both sign a contract called a purchase agreement. Sometimes this contract is called a sales agreement. The agreement should include a description of the real estate, its location, the purchase price, and the possession date. The agreement should spell out all conditions and terms of the sale. For example, if the seller agrees to make any home repairs, these should be stated in the agreement. If the owner promises to leave the draperies, dishwasher, range, and refrigerator, these items should also be listed.

Abstract of title. A *title* is the right of ownership of a particular property. An *abstract of title* is a summary of the public records relating to the ownership of a particular piece of property. Before buying a home, the buyer needs to make sure the seller is the legal owner of the property. The buyer should have an attorney or title insurance company review the abstract of title. This is necessary to be sure the property comes to the buyer free of debts or problems.

Survey. The buyer may need to have a map of the property drawn by a surveyor to show the measurements and boundaries of the property. A survey is often required by the lender to make sure the building is actually on the land according to its legal description.

Securing a mortgage. Since a home is such a large expense, most home buyers borrow money to finance the purchase. A loan for a home is called a *mortgage,* 10-9. A mortgage is a contract between a borrower and a lender. The lender is usually a bank, savings and loan association, an insurance company, or a mortgage company. The borrower promises to repay the lender the amount of the loan plus interest. The mortgage is paid in monthly installments over a set number of years. Until the mortgage is paid in full, the lender holds the title to the home as security. If the borrower fails to pay according to the terms of the mortgage contract, the lender can reposses the home.

Appraisal. In order to get a mortgage approved by the lender, the property may need to be appraised. An appraisal is an estimate of the value of the real estate. It helps the lender decide if the home is worth what the buyer is paying for it.

Closing costs. Many fees must be paid before the sale of a home can be made final. These fees are called the closing costs. Charges for the abstract of title, survey, and appraisal are some of the closing costs the buyer will pay. Other closing costs include:

- A fee for recording the mortgage.
- A fee for recording the deed. (A *deed* is the legal document by which a title for a home is transferred.)
- Documentary stamps. (A state tax in the form of stamps is required on mortgages and deeds when a title passes from one owner to another.)
- Escrow fees. (These are funds paid to an escrow agent to hold until a specified event occurs. After the event has occurred, the funds are released to pay mortgage insurance premiums, taxes, and other special assessments.)
- Attorney's fees.

Home mortgages

For years, there were three basic types of home mortgages: conventional, FHA-insured, and VA-guaranteed. These mortgages are still popular. They are generally made on a long-term, fixed-rate basis. This means that the mortgage is written for a long period of time, usually 20 to 30 years. During that time, the interest rate and monthly payments remain the same.

In recent years, housing costs have risen, and interest rates have become unstable. These changes have made many lenders and borrowers unwilling to finance long-term mortgage loans at fixed interest rates. Lenders want greater flexibility so they can keep up with changes in interest rates. Borrowers want

10-9 Most people must secure a mortgage to finance the purchase of a home.

EVANSTON CHAMBER OF COMMERCE

affordable mortgages. To fill the need for mortgage loans, several alternative mortgages have come into being. They include the graduated payment mortgage, the adjustable rate mortgage, and the renegotiable rate mortgage.

The *conventional mortgage* is a home loan made by a lending institution. The lender decides the maximum amount of the loan, the amount of the down payment, and the interest rate. Most conventional loans involve a minimum of red tape. However, they usually require higher down payments and fewer years of repayment than VA and FHA loans.

The *FHA-insured loan* is a mortgage insured by the Federal Housing Administration. FHA is a part of the U.S. Department of Housing and Urban Development (HUD). FHA does not make loans; lending institutions do. But FHA insures the lenders against the borrowers' possible default.

An FHA-insured loan enables a borrower to make a smaller down payment and to take up to 30 or more years to repay the loan. Interest rates may be lower for FHA loans than for conventional loans because the government determines the rate. Anyone can apply for an FHA loan through an approved lending institution. However, there is sometimes a long waiting period for processing an FHA loan. The home being bought must meet FHA requirements and standards.

The *VA-guaranteed loan* is a mortgage guaranteed by the Veterans Administration. Only veterans of the U.S. Armed Forces can apply for VA loans. One of the advantages of a VA loan is that little or no down payment is required. Interest rates are lower than the current market rate. Borrowers can take up to 30 years to repay the loan, or they can prepay the loan without penalty. The only disadvantage of a VA loan is the government red tape involved. It may take a period of time for the loan to be approved.

The *graduated payment mortgage* allows the buyer to pay low monthly payments at first and higher payments in the future. The idea behind this type of mortgage is that the buyer's income will increase as the monthly payments increase. This type of repayment makes it possible for more young people to afford home mortgages.

The *adjustable rate mortgage* allows the interest rate to be adjusted up or down periodically according to a national interest rate index. This, in turn, causes monthly payments to increase or decrease.

A *renegotiable rate mortgage* is automatically renewed every three to five years. At renewal, interest rates are adjusted according to a national interest rate index. If the new interest rate is below the original one, monthly payments will decrease. If the new interest rate is above the original one, monthly payments will increase.

In addition to new types of mortgages, there are other ways to finance a home. Here are three common forms of other financing.

A *contract sale* is a loan by the seller to the buyer for the purchase of the seller's property. This form of financing is used primarily when a buyer has trouble getting affordable financing and the seller is able and willing to make the loan to sell the home. During the period of the contract, the buyer makes payments to the seller. When the contract expires, the buyer secures other financing and pays the seller in full. Contract sales are not regulated by law as are loans from a lending institution.

A *second mortgage* is a loan which may be used to get the cash needed for a large enough down payment to qualify for a first mortgage. Rates on second mortgages are usually much higher because the lender has claim to the property only after the first mortgage is paid in full.

Assuming an existing mortgage is the transfer of the seller's mortgage to the buyer. The buyer may take over the mortgage at the same rate or an adjusted rate. If the rate is adjusted, it will be higher than the original rate but lower than current rates. With this form of financing, the buyer usually has to make a large down payment to pay the difference between the remaining mortgage balance and the seller's asking price.

Home financing alternatives will vary from state to state and lender to lender. Research all the options to find the method of financing that is best for you. Consult a lawyer before signing any home financing agreement. Small mistakes can have big consequences.

Shopping for a mortgage

The only way to find the most favorable financing terms is to shop carefully and ask the right questions. Here are points to check regardless of the type and source of financing.

Down payment. How much of your own money must you put down to get a home loan?

Size of mortgage. How much can you borrow? What is the maximum size mortgage available for the property you want to buy?

Repayment period. How long will you have to repay? Are original terms in force for the life of the loan? Or must you renegotiate periodically?

Interest rate. What is the interest rate? How does it compare with the current market rate? Will it remain fixed, or will it change during the repayment period?

Charges and closing costs. What do different lenders charge for application fees? How much will you pay for appraisals, surveys, recording fees, abstract of title, and other closing costs? How much will you have to pay for property taxes and for homeowner's insurance?

Monthly payments. How much will the mortgage payment be each month? Will the amount change during the life of the loan? Will you be able to make the payments and have enough money left for taxes, insurance, and maintenance costs for the property?

Special features and provisions. What are the provisions and penalties for prepayment if you sell or refinance? Can the mortgage be assumed by a new buyer if you sell? (Having an assumable mortgage may make it easier to sell a home.) What are the policies and penalties for late payments? How much and what type of insurance does the lender require?

HOME INSURANCE

Once you own or rent a home, you have something to lose. Therefore, you need to know about protecting what is yours with homeowner's or renter's insurance.

Homeowner's insurance provides two basic types of coverage: property protection and liability protection, 10-10. Property coverage insures you against such perils (dangers) as fire and lightning, vandalism, burglary and theft, and explosions. It covers the damage or loss of the dwelling and your personal property and possessions such as your clothes and furnishings. It also pays for your living expenses if you should have to move out of your home because of damages to the property.

Liability coverage protects you against financial loss if others are injured on or by your property or if you or your property accidentally damages the property of others. It pays for the legal costs of defending you if you are sued because of injuries to others or damages to their property. It pays for damages assessed against you if you are held legally liable for injuries or property damage.

Renter's insurance provides similar protection for the home renter. However, property protection only covers damage or loss of personal property and possessions, not the dwelling itself.

The cost of home insurance depends on four major factors:

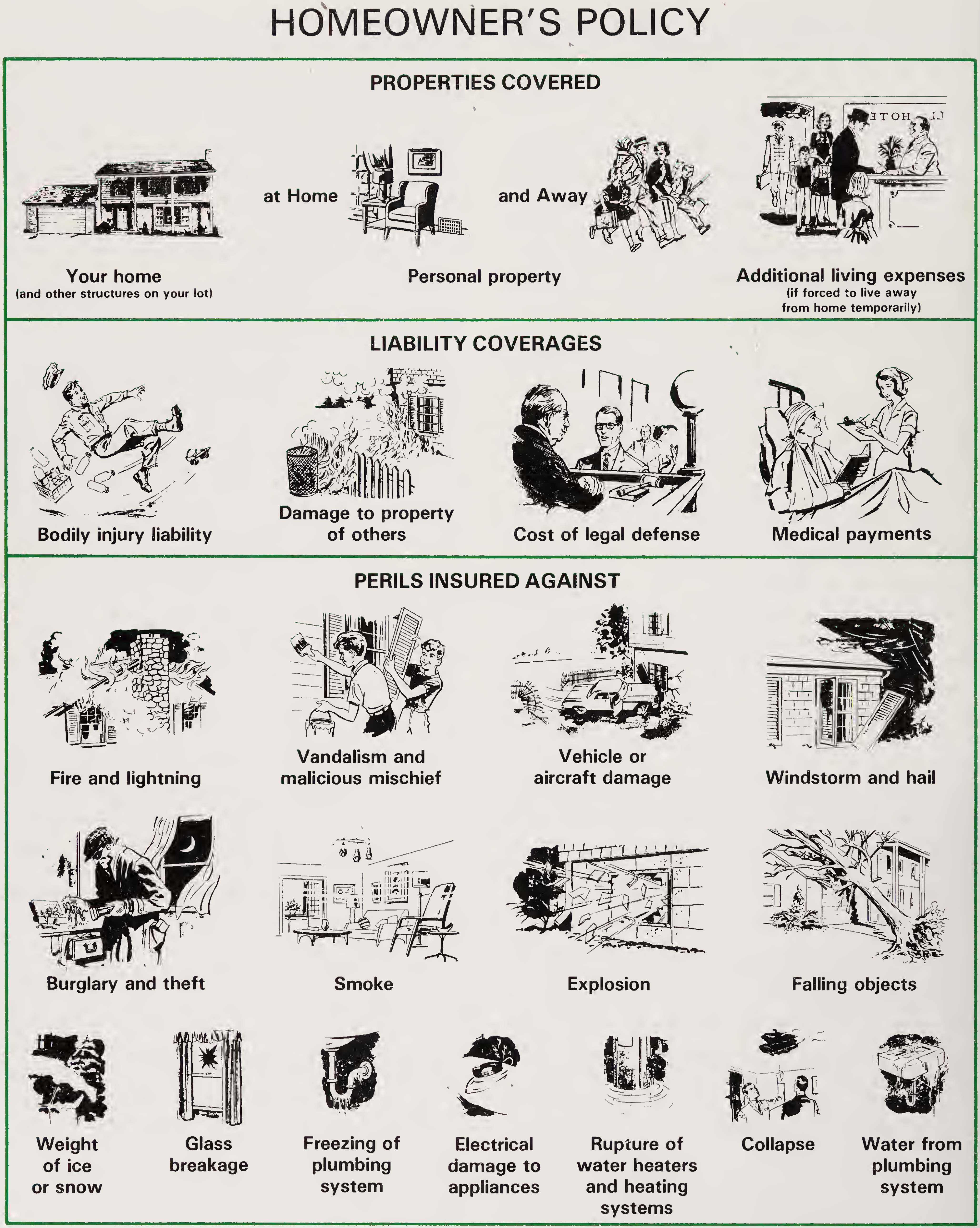
The type and amount of coverage. The more protection you buy, the more you pay.

The amount of the deductible. The deductible is the amount a policyholder must pay toward loss or damage before filing a claim with the insurance company. The higher the deductible is, the lower the insurance premium will be.

The risk factor where you live. The type of home you have and its location influence premium rates. For example, you will pay more for fire protection for a frame house than for a brick house. You will pay more for protection against theft and vandalism in high crime areas than in low crime areas.

The insurance company. The cost of insurance premiums vary from company to company. Be sure to do some comparison shopping before you buy insurance.

When you need to buy home insurance,


HOMEOWNER'S POLICY
PROPERTIES COVERED
Your home
(and other structures on your lot)
at Home
and Away
Personal property
Additional living expenses
(if forced to live away from home temporarily)
LIABILITY COVERAGES
Bodily injury liability
Damage to property of others
Cost of legal defense
Medical payments
PERILS INSURED AGAINST
Fire and lightning
Vandalism and malicious mischief
Vehicle or aircraft damage
Windstorm and hail
Burglary and theft
Smoke
Explosion
Falling objects
Weight of ice or snow
Glass breakage
Freezing of plumbing system
Electrical damage to appliances
Rupture of water heaters and heating systems
Collapse
Water from plumbing system

INSURANCE INFORMATION INSTITUTE

10-10 Most homeowner's policies provide broad coverage.

take time to study the types and amounts of coverage available. Then find an informed, reputable insurance agent or broker who can advise you on the coverage you need. Chart 10-11 outlines some pointers that can help you get the most from the money you have to spend on home insurance.

BUYING HOME INSURANCE

Make a complete inventory of household possessions with estimated values. This will help you determine how much coverage to buy and help you make claims.

Find out the current replacement value of your home and insure it at 80 percent of that value.

Consider insuring your home for full value or more, or securing a special endorsement if household belongings and personal possessions exceed 50 percent of the value of your home.

Consider larger deductibles to reduce premiums. They can help you get maximum coverage at lowest rates for major losses if you are able to pay minor losses.

INSURANCE INFORMATION INSTITUTE

10-11 These guidelines can help you select the insurance coverage you need for your home

MOVING YOUR POSSESSIONS

Buying or renting a new or different home involves moving. Your first move may be a rather easy one. But as you accumulate furniture and possessions, moving becomes more complicated and expensive.

If you decided to move, how would you do it? The following guidelines can help you move easily and efficiently.

Consider your options. Can you move yourself? Or will you need the help of professional movers? Will you be moving a short distance that can be handled by a local moving company? Or will you be moving to another state and thus need a national carrier? Consider all the possibilities before deciding how to move your belongings, 10-12.

Time it right. If you have a choice, try to move between mid-October and mid-May. During this time, you often get better service and lower rates than you would in the peak moving months of summer. For the same reasons, the middle of a month is better than the first or last of a month.

Get rid of excess baggage. The more you move, the more you pay. Get rid of the things you don't need or want. By selling unwanted items at a garage sale, you can earn money as

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10-12 Renting a truck or trailer to move your belongings is less expensive than hiring a professional mover.

you reduce moving costs.

Check out moving companies. Evaluate the reliability and reputation of different movers. Get recommendations from other people who have moved. The Better Business Bureau or a consumer protection agency can tell you if any complaints have been filed against the movers you are considering.

Get several estimates. Be sure estimators see or at least know about everything that is to be moved. Find out what services are included in the estimates and the cost of extra services you need. Keep in mind that for interstate moves, rates are regulated by state and federal laws. Rates are based on the weight of the shipment and the distance. Local movers may also charge travel and loading time. Evaluate various mover services in terms of cost and benefits to you.

Collect information. Most major carriers offer helpful publications for planning a move and settling in a new area. Carriers should also provide you with information about filing claims in case of loss of or damage to your possessions.

Check insurance coverage. A mover's liability for your possessions is limited to an amount per unit of weight. This is often less than replacement value for most items. For added protection, find out what insurance is available through the mover or through your homeowner's or renter's policy. You should make sure your possessions are adequately insured before you move.

Take an inventory of your possessions. Include descriptions of major items. List the contents of each box as you pack it for moving. An inventory can help you check to make sure all your belongings are packed and moved. It also helps you file claims if any of your possessions are damaged or lost.

Supervise both pickup and delivery. Movers also take an inventory of all the items they load, and they make a note of any flaws prior to moving. It pays to be on hand to see that their inventory is accurate. When your possessions are delivered, check the condition of furnishings as they are unloaded. Also check your inventory for losses or damages.

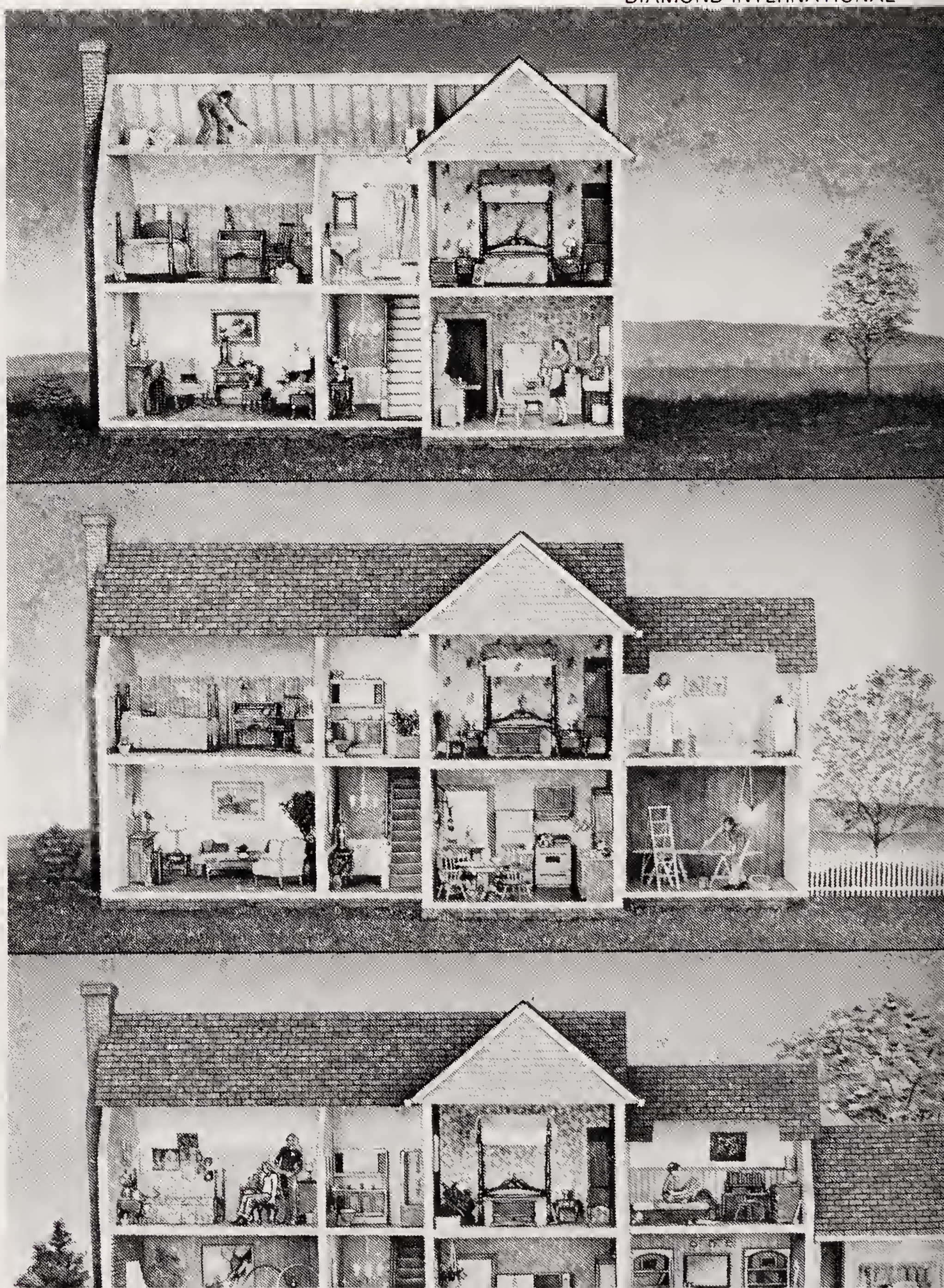
Read the shipping order and bill of lading carefully. Make sure these forms accurately state pickup and delivery dates, estimated charges, and services to be performed. They should also state any special agreements or arrangements between you and the mover.

Make arrangements for payment on delivery. Generally, you cannot move today and pay tomorrow. Be ready to pay with cash or a certified check. And make sure you receive an itemized receipt of the delivery which lists the moving charges, the distance traveled, and the weight.

Make claims for any loss or damage promptly. Call any losses or damages to the attention of the mover at delivery. Also make a note of the damages on the delivery receipt and the mover's inventory. To file a claim, list losses and damages and give estimated replacement or repair costs. In all claims and correspondence, include the details of the move such as dates, charges, and order numbers.

Over the years housing needs change.

DIAMOND INTERNATIONAL



to Know

abstract of title
adjustable rate mortgage
appraisal
closing costs
condominium
conventional mortgage
cooperative
FHA-insured loan
graduated payment mortgage
lease
purchase agreement
renegotiable rate mortgage
security deposit
survey
VA-guaranteed loan

to Review

1. Name seven factors you should consider when trying to decide where to live.
2. What is the main difference that separates rental apartments from condominiums and cooperatives?
3. Which type of single-family house is usually the least expensive?
    a. Tract house.
    b. Custom-built house.
    c. Town house.
    d. Modular house.
4. If you are considering buying a mobile home, name six guidelines to follow.
5. Most financial advisors suggest that you limit monthly housing costs to __________ of your monthly take-home pay.
6. What budgeting guide is specifically designed for buying a home?
7. When should you probably spend less on housing in general?
8. What are the two major responsibilities renters have?
9. Why is it important for an attorney or title insurance company to review the abstract of title before a buyer purchases a home?
10. For ____________ loans, lenders usually require higher down payments and allow fewer years for repayment than for VA and FHA loans.
11. Why are many lenders and borrowers unwilling to finance long-term mortgage loans at fixed interest rates?
12. What happens when a buyer assumes an existing mortgage?
13. What are the major points you need to consider when shopping for a mortgage?
14. What four major factors determine the cost of home insurance?
15. Why is it important for you to take an inventory of your possessions before you move?

to Discuss

1. How does a person's life-style tend to influence housing location?
2. What sources of information can help you choose a new place to live?
3. What questions should you investigate before buying a condominium or a cooperative?
4. When can you usually spend more money for housing? When can you usually spend more when buying a home?
5. What are the advantages of renting?
6. What should you find out before you sign a lease?
7. What are the advantages and disadvantages of new mortgages and new ways of financing a home?
8. How would you prefer to finance a home if you were buying today?
9. Explain the types of coverage most homeowner's insurance policies provide.
10. What guidelines would you follow to make your move as easy and efficient as possible?

to Do

1. List at least five important items to consider before renting or buying each of the following:
    a. Rental apartment.
    b. Condominium or cooperative.
    c. Mobile home.
    d. House.
2. Survey a number of realtors and home mortgage lenders. Find out what forms of financing most buyers are using to purchase homes.
3. Visit at least three insurance companies that sell renter's insurance. Find out how much you would pay a year for the least expensive renter's policy for a one-bedroom apartment. Which company offers the best deal for the least amount of money?

ETHAN ALLEN INC.

11

Inside your home

After studying this chapter, you will be able to:

- ☐ Describe the elements and principles of design.
- ☐ Evaluate furniture, floors and floor coverings, lighting fixtures, and window treatments based on their quality, design, and price.
- ☐ Compare features, safety, energy efficiency, and warranties of home appliances.

You wouldn't consider empty rooms to be much of a home. Only when you fill rooms with the things you like and enjoy do those rooms become your home. Understanding the elements and principles of design can help you create a "home" atmosphere. You also need to learn how to select furniture, floor coverings, window treatments, and home appliances that will be appropriate and affordable.

Sometimes decorating jobs are frustrating, time-consuming, and costly experiences. At other times, they are exciting, fun, and satisfying adventures! If you become a knowledgeable consumer and decorator, most of your decorating jobs should be the satisfying kind.

DECORATING DECISIONS

Basically, decorating is making decisions. It starts with asking the right questions and finding the right answers. Here are five questions to guide your decorating decisions.

What do you like to do in your living space? Activities influence decorating choices. For studying and reading, quiet, comfortable, well lit space is needed. Entertaining at home requires flexible furniture arrangements and traffic patterns. Try to decorate and furnish living space to make the things you do more fun and convenient.

How do you like to live? Your life-style influences decorating choices. A casual life-style calls for a comfortable, informal atmosphere. A busy life-style calls for carefree furnishings that require little upkeep. Single people decorate around personal tastes. Couples usually choose furnishings that please both of them. Families with small children make decorating decisions that are different from those made by families with older or no children.

What do you like to see around you? Color and style preferences play an important role in any decorating plan. Think about your likes and dislikes. Do you prefer strong color contrasts or subtle combinations? Do you have a favorite color or two you would want to use when decorating? What types of furniture appeal to you—contemporary or traditional? Do you like things formal or casual? Make an effort to fill your living space with the colors and styles you really like, 11-1.

What resources do you have for decorating? Plan the best ways to use your money, time, and talents to achieve the results you want. If you are short on money, then time for bargain hunting and talents for do-it-yourself jobs become more important. Do you have time to shop at house sales, secondhand stores, and warehouses as well as at furniture stores? Can you paint, wallpaper, sew, or upholster?

Make a list of usable items you already own and incorporate them into your decorating plans. Many decorating decisions involve adding to or working with existing furnishings.

Look for decorating ideas in magazines, newspapers, decorating books, and catalogs. Furniture manufacturers and associations also publish booklets full of decorating information and ideas. Touring model homes and looking at displays in furniture stores may give you ideas you can use when decorating your own home.

You may find it helpful to start a decorating resource file. Include both pictures and articles of decorating ideas and furnishings you especially like. Then you will have your own source of ideas on hand when you begin a decorating job.

What are your most important and immediate needs? Very few people can buy all the furnishings they need in one big buying spree. Even when the money is there, it is usually a good idea to decorate one step at a time rather than make all the choices at once. Try a two to five-year decorating plan starting with the most important items. First, you will need a bed, a light for reading, a clock, a radio, and anything else you cannot live without. Then you can add other items as you can afford them.

Case Studies

ALL AT ONCE

Carla is moving to Kansas City to begin her first full-time job in the public relations department of a downtown bank. Carla is a do-it-now person. She goes to Kansas City a week early to decorate and furnish her apartment before starting her job.

Carla has $1000 saved from part-time jobs and graduation gifts. She plans to spend most of it and borrow whatever more she needs to get her apartment in shape. There will be no step-by-step decorating for Carla. She wants to get her apartment in shape so she can give her full attention to her job and to making new friends in Kansas City.

Carla's apartment has a bedroom, living room, kitchen, and bath. The floors are in good condition, and the walls have recently been painted. Kitchen appliances come with the apartment.

Carla already has a few items including a bed, a vacuum cleaner, a TV, a clock, two lamps, and some books and pictures. She also has dishes, linens, and kitchen utensils. However, the list of things she wants is much longer.

With her checkbook and credit cards in hand, Carla begins shopping and decorating. Since she is new to Kansas City, she goes to one of the leading downtown stores instead of shopping around. The prices are pretty high, but the store is reputable. It also offers credit, delivery service, and free decorating advice which Carla finds very helpful.

When shopping, Carla takes along a floor plan of her apartment and a list of the items she wants to buy. She plans to decorate with her favorite colors—green and yellow. She wants contemporary furnishings. Besides color and style, the most important thing on Carla's mind is prompt delivery. She passes up several good buys because they aren't in stock and delivery could take up to six months.

Here is a list of Carla's major purchases:

Two bamboo chairs
Sleeper sofa
Wall unit of shelves
Two area rugs
Draperies
Lamp
Wicker desk
Wicker chest
Wicker bench
Mirror
Stereo system

Carla finishes her apartment in record time and is pleased with her selections. However, she spends all of her $1000 savings and charges hundreds of dollars. In addition to rent and other monthly payments, Carla will also be making monthly credit card payments. It will take her almost three years to pay all her decorating bills and the finance charges on her credit card bills. But Carla doesn't seem to mind.

Questions to discuss

1. If you were Carla, how would you go about furnishing a place of your own?
2. How important would it be to you to do your decorating all at once?
3. How would you feel about making big

11-1 The same space can look different when decorated by two different people.

ARMSTRONG FLOORING

charges on your credit cards and then having large debts to pay?

4. How would you feel about the extra money you would have to pay in finance charges if you used credit cards to buy your furnishings?

ONE STEP AT A TIME

Richard and Maxine are newly married. They are both in their early 20s. Richard is an engineer working on a solar energy research project. Maxine is a paralegal for a large law firm. For a young couple getting started, they are doing well financially.

Richard and Maxine want a nice place to live, but they don't want to spend a lot of their money furnishing an apartment where they may live only a year or two. They have plans for traveling, buying a house, and having children in the future. They know they can achieve many of their goals if they spend carefully and save wisely.

In order to reach their goals for the future, Richard and Maxine agree to spend no more than $1000 to furnish and decorate their first apartment. They decide to decorate slowly, shop carefully, and spend their free time on do-it-yourself projects.

Although Richard and Maxine have good salaries, they have no money saved. Between the two of them, they have just finished paying a college loan, buying a car, and paying wedding expenses. They do have a few possessions which include a TV, a stereo, a clock radio, bed linens, a few accessories, several small kitchen appliances, cookware, and dishes. That's it!

Putting first things first, Richard and Maxine make a list of their immediate needs. A bed is at the top of their list, followed by a chest, two comfortable side chairs, a good reading lamp, and a dining table. This would not fill the apartment, but they could manage well. Later they will shop for good buys on other items such as:

A sofa
End tables
A coffee table
Bookcases
A desk
New draperies
Pictures
Plants
Three lamps
A piano
Two area rugs

Richard and Maxine shop carefully and find some real values. They spend many hours pouring over want ads, watching for special sales, and shopping at house sales, warehouses, and secondhand stores. They also spend lots of time refinishing furniture and making draperies.

Although Richard and Maxine have spent slightly more than they had planned, they are very pleased with their decorating results. The best part is the vacation they will be able to take with their savings. Richard and Maxine feel good about their achievements.

Questions to discuss

1. If you were Richard and Maxine, how would you go about furnishing and decorating your first home?
2. How much time would you be willing to spend looking for just the right item at just the right price?
3. How would you feel about buying furnishings at a secondhand store or at a house sale? What are some of the advantages and disadvantages of buying used furniture?
4. What would be on your list of needs for a first home? How much do you think it would cost to buy all the items on your list?

Elements of design

Some people seem to have a flair for putting things together and making them look just right. That "right" look is the result of skillful use of the elements and principles of design. The *elements of design* are line, form, texture, and color. They are the tools used by designers. The *principles of design* are proportion, balance, rhythm, emphasis, and harmony. They are the guidelines designers follow as they work with their tools—the elements. When the elements of design are used according to the principles of design, a pleasing effect is created.

Line. Every room contains a variety of lines. Lines can be seen in doors, windows, stairways, and moldings. Lines are also present in wallpaper, upholstery, draperies, furniture, and accessories.

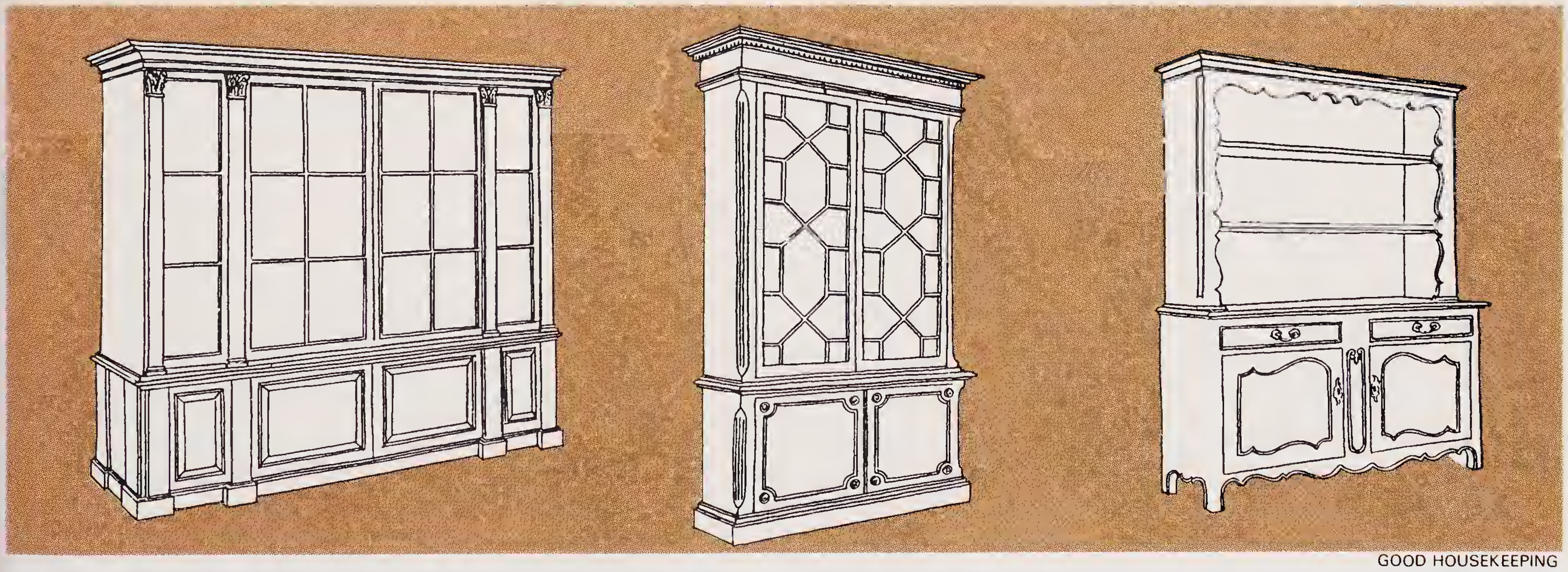
Lines give direction to a design. They lead the eye in a vertical, horizontal, or diagonal direction. *Vertical lines* carry the eye up and seem to add height to furniture and rooms. They convey a sense of dignity and stature. Thus, they tend to be the dominant lines in formal, stately rooms. *Horizontal lines* carry the eye across a room. They can make rooms and furniture seem wider, lower, or longer. Horizontal lines suggest restfulness and informality. They tend to be the dominant lines in casual rooms. *Diagonal lines* add energy and excitement to a design. Because they are so powerful, they are used less often than vertical or horizontal lines. Too many diagonal lines in a room would be overwhelming and tiring.

Lines add more than direction to designs, as shown in 11-2. Lines may be straight or curved, thin or thick. They may seem restful or stimulating, delicate or bold. Straight lines generally make a room seem simple, direct, uncomplicated, and strong with feeling. The use of too many straight lines, however, makes a room stiff and uninviting. Curved lines give a soft, graceful feeling. But too many curved lines create a busy, ornate look. Thin lines seem delicate and fragile while thick, heavy lines appear strong and bold.

Form. Form is the three-dimensional element of design. It gives height, width, and depth to a design. Since forms or shapes are made of lines coming together, the visual effects, feelings, and illusions they create are similar to those created by lines. When arranging furniture, it is important to choose forms that look good together. See 11-3.

As you consider forms in furnishings, be sure to consider function. Keep in mind the familiar saying, "Form follows function." This means that in good design, the form of an object is determined largely by its function. For example, the form of a chair should be attractive, but more importantly, it should provide comfortable seating. A bookcase must be sturdy enough to hold books. A desk must have space underneath for a person's legs. A lamp must provide light. In all good design, form follows function.

Texture. Texture refers to the way surfaces feel and to the way surfaces *look* as if they would feel. Textures may be hard, soft, rough, smooth, glossy, or dull. They affect



GOOD HOUSEKEEPING

11-2 These bookcases look different because of the effects of different lines.

the appearance and comfort of furnishings and rooms.

Everything in a room has texture—the ceiling, floor, walls, upholstery, draperies, furniture, and accessories. The dominant textures in a room are a major influence on the room's overall atmosphere.

Formal, cosmopolitan rooms tend to be dominated by smooth, glossy textures, 11-4. Such textures may be seen in glass, brass, and chrome. Plain fabrics (rather than patterned ones) and shiny fabrics like satin and taffeta also add to a formal atmosphere.

Casual, country rooms tend to have rougher, duller textures. See 11-5. Wood and wicker furnishings are common in informal rooms. Such rooms may also have shag carpeting, braided rugs, plaid or patterned fabrics, and rough fabrics like tweed, corduroy, and burlap.

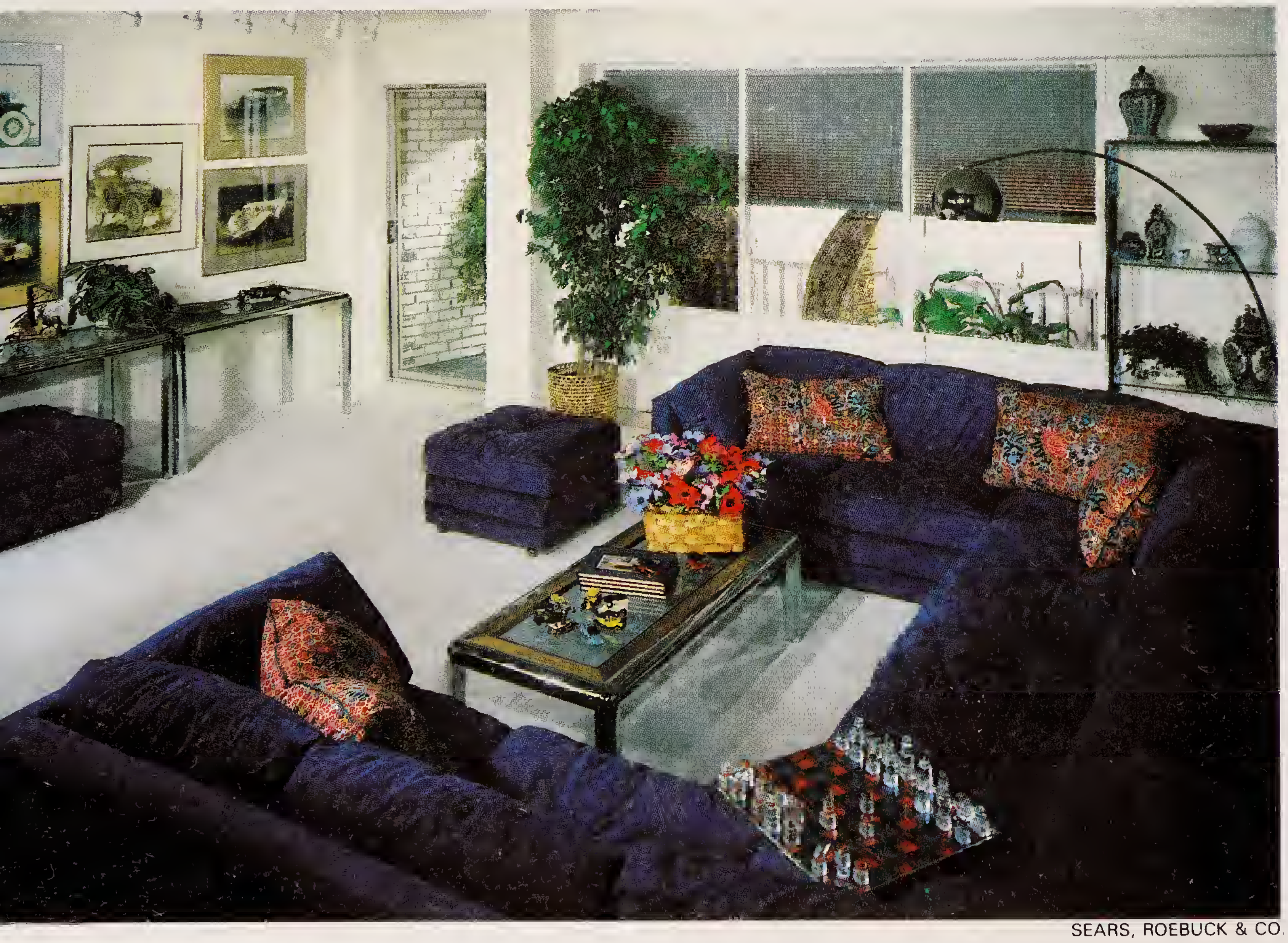
Color. Color is probably the most noticeable and flexible element of design. It offers unlimited opportunities for decorating.

Color has three characteristics: hue, value, and intensity. *Hue* is the name of a color, such as yellow, blue, red-orange, and so on. Hue is the characteristic that makes green different from violet.

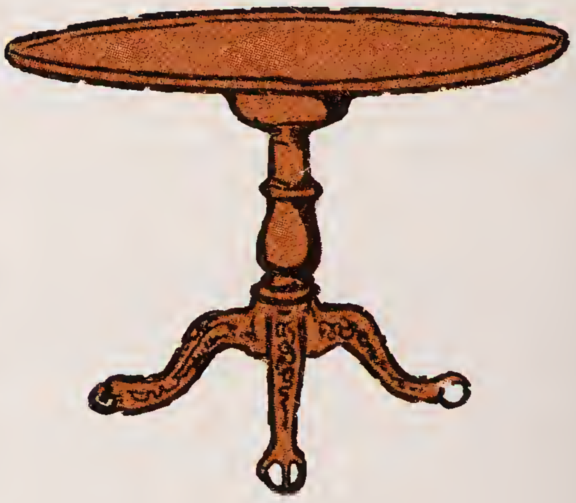
Value is the lightness or darkness of a color. Value is the characteristic that makes light blue different from dark blue. The true values of hues are shown in the large, middle ring of the color wheel, 11-6. Lighter values, called tints, are shown in the inner ring. Darker values, called shades, are shown in the outer ring.

Intensity is the brightness or dullness of a hue. Intensity is the characteristic that makes "hot pink" different from "dusty rose." Bright colors, like those in neon lights, are high in intensity. Dull colors, like tan and olive green, are low in intensity.

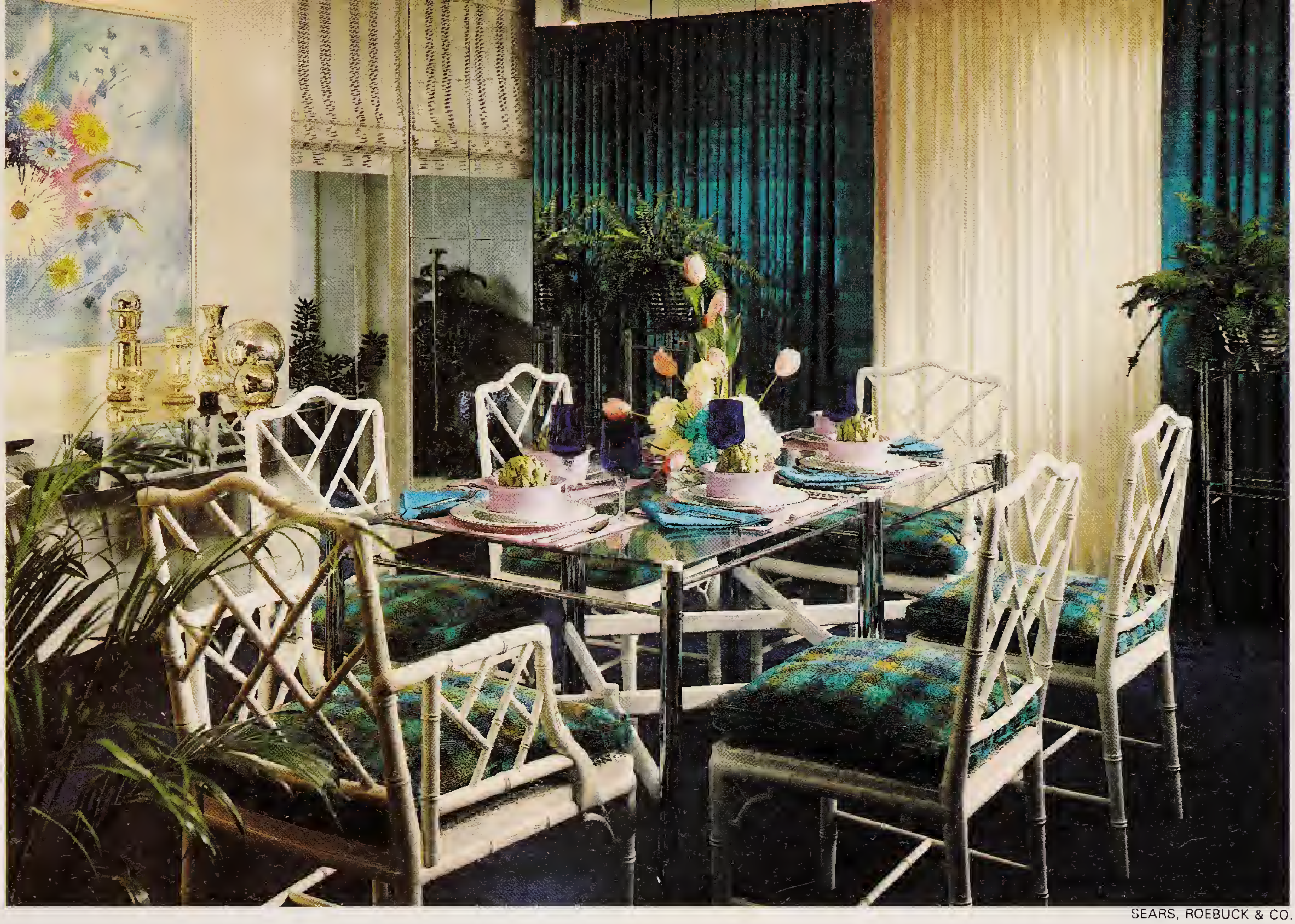
Warm and cool are words commonly used to describe colors. *Warm colors* are those related to red and orange. They can help make a room feel warm and cozy. Thus, they are good choices for rooms without sunny exposures. Warm colors are sometimes called advancing colors because they make objects seem larger or closer than they really are.



SEARS, ROEBUCK & CO.



11-3 The forms in this room are large, sturdy, and rectangular. The table shown above would look out of place in this room because of its delicate, circular form.



SEARS, ROEBUCK & CO.

11-4 The smooth textures of the furnishings and accessories in this room give it a formal atmosphere.

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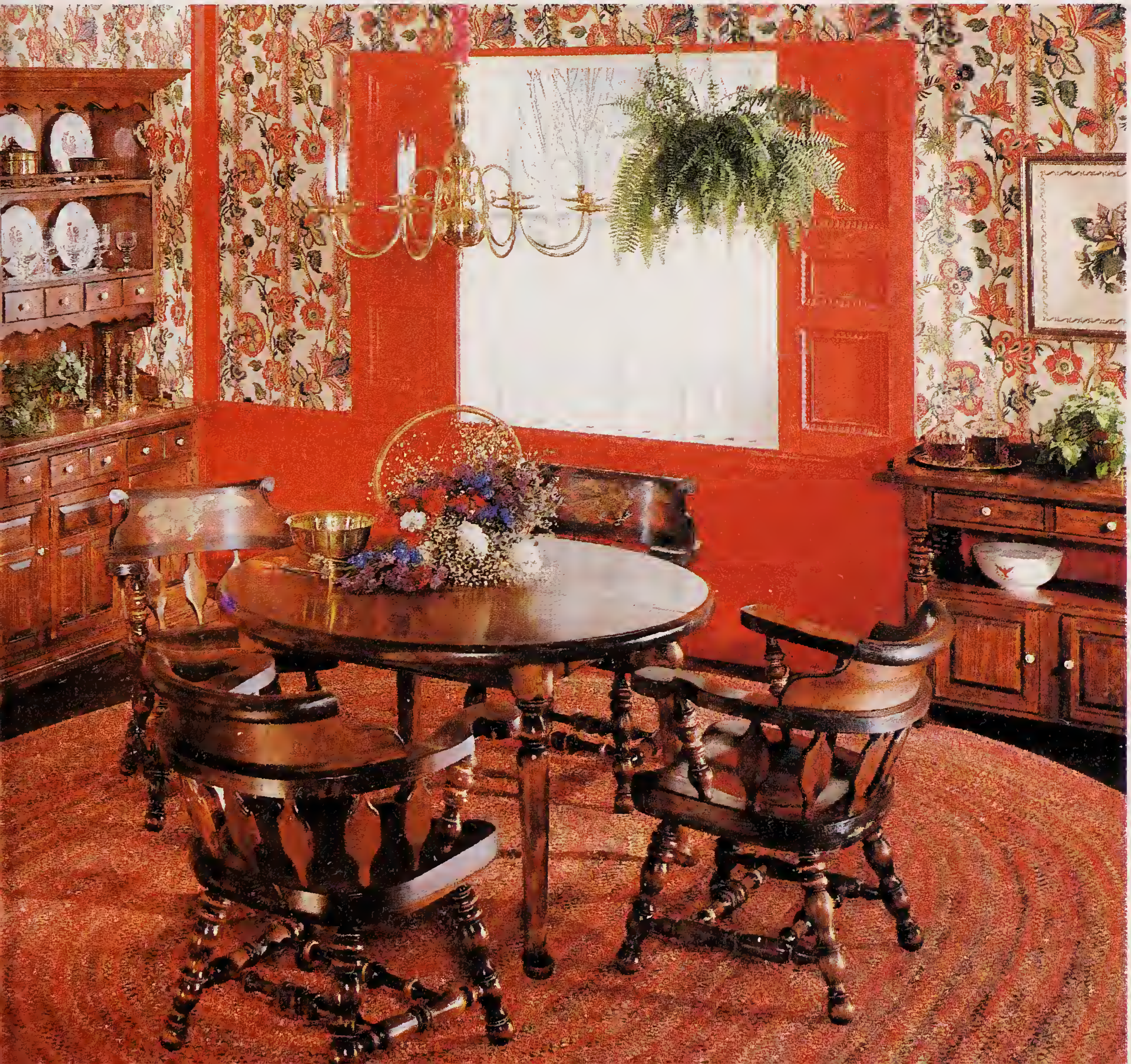
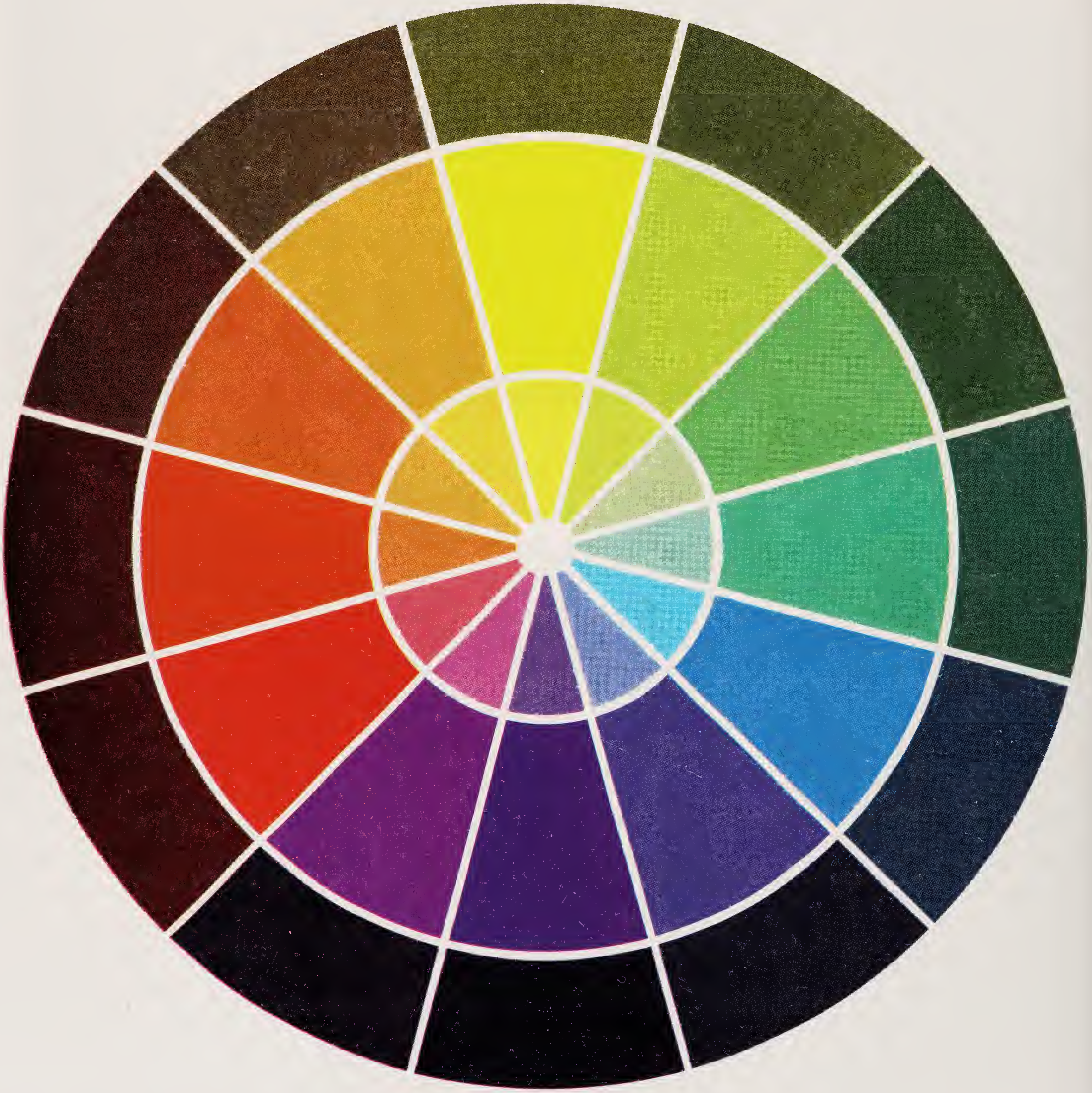


11-5 The textures of the patterned wallpaper and braided rug help create an informal setting.

Rooms with warm-colored walls seem smaller because the walls seem closer together.

Cool colors are those related to blue and green. They tend to make you feel cooler. They are good choices for sunny rooms or for homes in hot climates. Cool colors are sometimes called receding colors because they make objects seem smaller or farther away than they really are. A sofa upholstered in blue will look smaller than the same sofa



11-6 The way colors are arranged in a color wheel provides a basis for all color relationships.

upholstered in red. Rooms with cool-colored walls seem larger because the walls seem farther apart.

Different values and intensities of warm and cool colors can be used to create various effects. Guidelines for decorating with color are given in chart 11-7.

When combining colors, it is important to select colors that look good together. The color wheel is a useful guide. It is the basis of many color schemes.

A *monochromatic color scheme* is based on a single hue of the color wheel, 11-8. Variety is added by using different values and intensities of the hue. Neutral colors (white, gray, and black) may also be used. A monochromatic color scheme with little contrast tends to be restful and subtle. Contrasting values and intensities add excitement to the scheme.

An *analogous color scheme* is based on three to five hues that appear next to each other on the color wheel, 11-9. A common example combines yellow, yellow-green, and green. This is sometimes expanded to include

DECORATING WITH COLOR

Colors related to blue and green seem cool and peaceful.

Colors related to red and orange seem warm and cozy.

To make a room look larger, use cool colors, light values, and dull intensities.

To make a room look smaller, use warm colors, dark values, and bright intensities.

To make an object look larger, use warm colors, light values, and bright intensities.

To make an object look smaller, use cool colors, dark values, and dull intensities.

To make a ceiling look higher, use cool colors and light values.

To make a long, narrow room look shorter, use warm colors on the end walls.

Similar values blend together and create a restful atmosphere.

Contrasting values draw attention. A white sofa against a dark wall will draw more attention than a white sofa against a white wall.

Too many strong value contrasts in a room may cause a tiring, confused feeling.

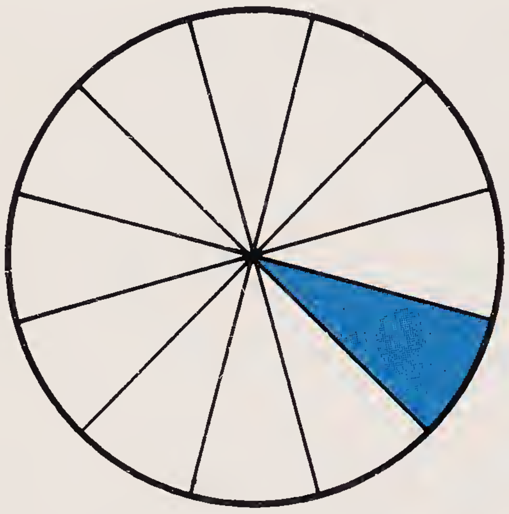
Use colors of low intensity for large areas. Bright colors look best when used in small amounts.

When warm and cool colors are used together, the warm ones look warmer, and the cool ones look cooler.

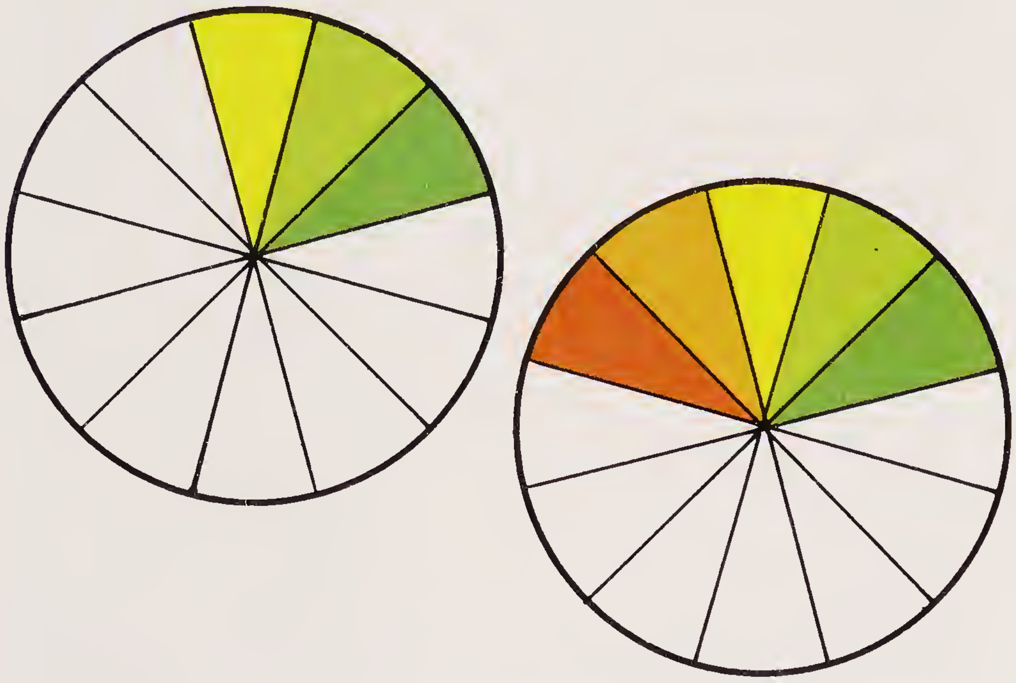
When light and dark colors are used together, the light ones look lighter, and the dark ones look darker.

When bright and dull colors are used together, the bright ones look brighter, and the dull ones look duller.

11-7 These guidelines can help you use color effectively as you decorate.



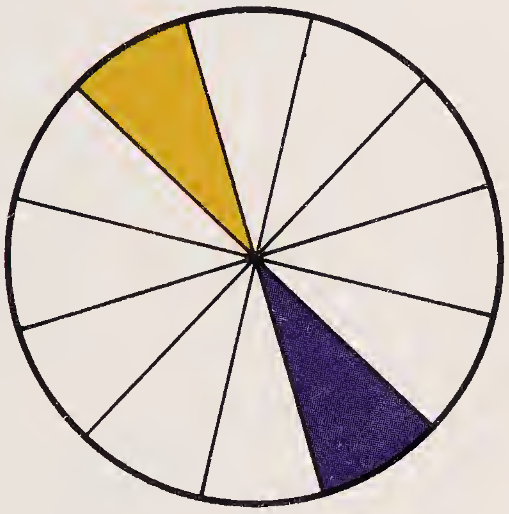
11-8 Different values and intensities of a single hue form a monochromatic color scheme.



11-9 Three to five colors that are next to each other on the color wheel form an analogous color harmony.

yellow-orange and orange, too. This type of scheme has great flexibility. Depending on the hues, values, and intensities used, it can be peaceful or bold, relaxing or exciting.

A *complementary color scheme* combines two hues directly opposite each other on the color wheel, 11-10. Examples of complementary colors are red and green, blue and orange, and yellow and violet. Decorating with a complementary color scheme requires a delicate touch. Complementary colors are high in contrast. Uncontrolled, this contrast can be overpowering. Controlled, the contrast can be dramatic and lively. To control the contrast of complementary colors, one color must be allowed to dominate. In most successful complementary color schemes, intensities are lowered, values are varied, and neutral colors are introduced.



11-10 Two hues exactly opposite each other on the color wheel form a complementary color scheme.

Principles of design

The ability to combine the elements of design—line, form, texture, and color—into a pleasing overall design seems to come naturally to some people. Others have to learn it. Whether by instinct or study, designers need to understand and follow the principles of design. These principles are proportion, balance, rhythm, emphasis, and harmony.

Proportion. Proportion or scale refers to the relationship of parts—one part to another or to the whole. Unequal proportion is more pleasing to the eye than equal proportion. For example, in design, a rectangle is more pleasing than a square. Therefore, the dimensions 2:3, 3:5, and 5:8 are preferable to the dimensions 2:2 or 2:4.

A sense of proportion is very important when selecting furniture and accessories, 11-11. The furniture and accessories you choose should be in scale with each other and

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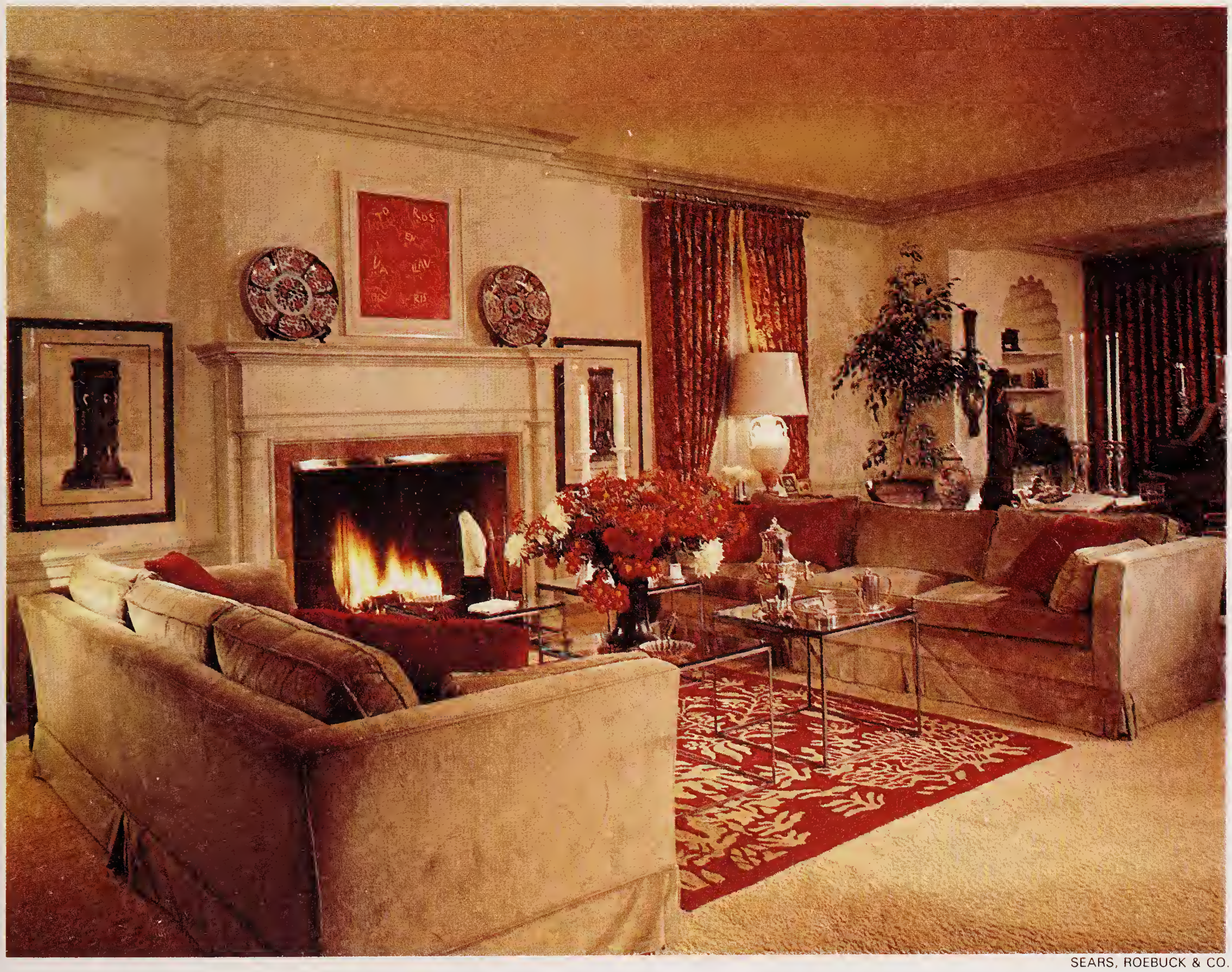
11-11 The large furnishings in this room are in proportion with the room itself.

the room where they will be used. For example, an apartment in a modern building is likely to have low ceilings and small rooms. To be in proper scale, furniture for these rooms needs to be predominantly low and light, not tall and massive.

Keep in mind that furniture and accessories have visual size as well as actual size. For example, two tables may be exactly the same size. But because of design and visual appearance, one table may look larger and heavier than the other.

Balance. Balance refers to the distribution of design elements. Lines, forms, textures, and colors need to be distributed throughout a room to create a comfortable, balanced design. Common sense is a helpful guide in achieving balance. You would not want all your tall furnishings across the room from your low, horizontal furnishings. You would not want all your large, rectangular pieces of furniture along one wall. Nor would you want certain textures or colors bunched up in one corner. Furniture and accessories look best when their different design elements are distributed throughout a room for a balanced effect.

Formal balance is the placement of identical items on either side of a central point, as shown in 11-12. The furniture and accessories



SEARS, ROEBUCK & CO.

11-12 Identical arrangements on either side of a central point create formal balance.

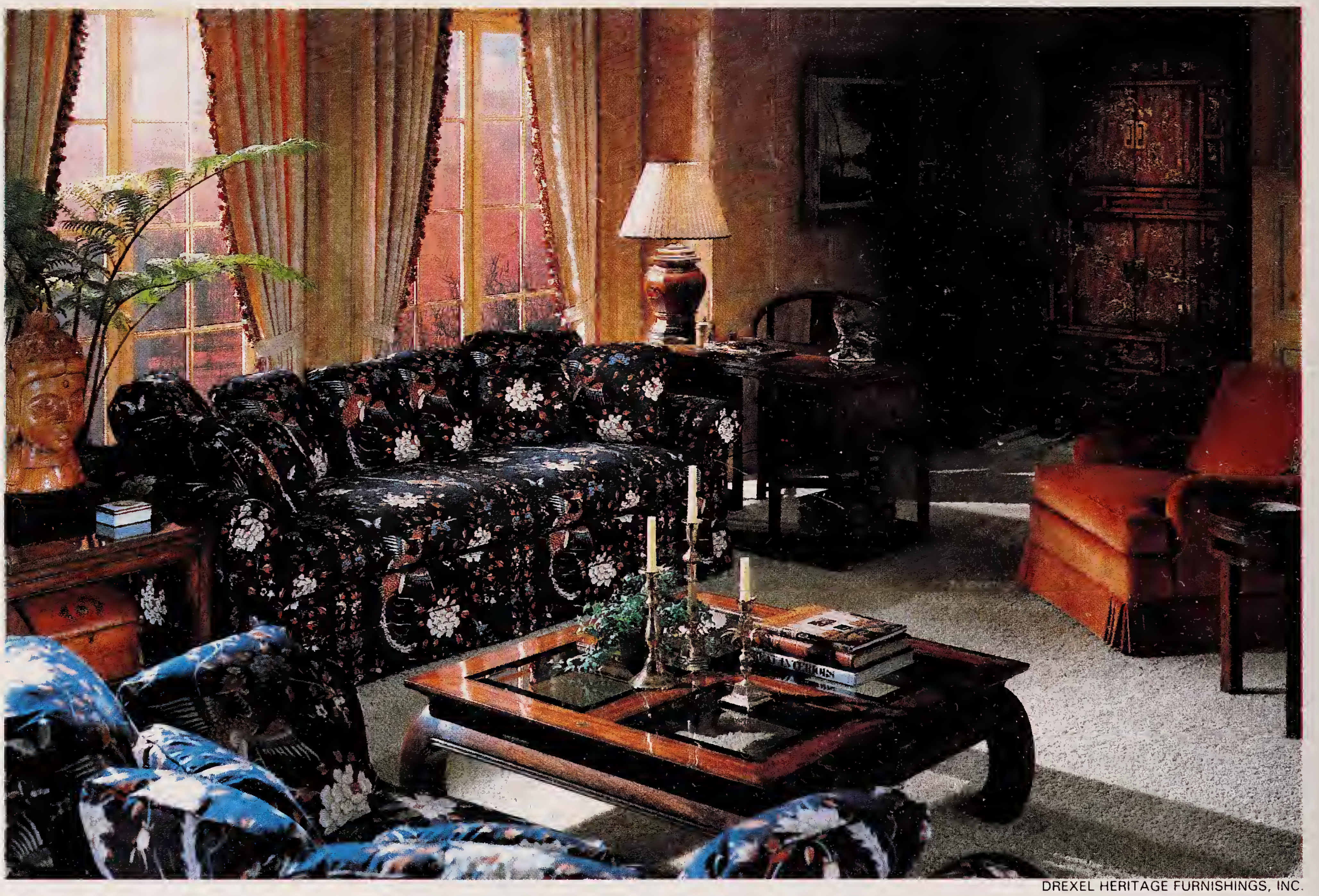
on one side of the fireplace are almost identical to those on the other side. Formal balance can give an orderly, restful, or elegant appearance to a room.

Informal balance is the placement of different, but equivalent, items on either side of a central point. The central point of the room pictured in 11-13 is the sofa. To the right of the sofa are the desk, lamp, chair, and round end table. They are balanced by the square end table, plant, love seat, and coffee table on the left.

Rhythm. Rhythm is the principle of design that carries the eye from place to place around a room. You can create a certain rhythm by placing furniture and accessories in such a way that the eye flows from one item to another. Repetition of lines, forms, textures, or colors is one way to achieve rhythm. For example, yellow in a pillow on the sofa, repeated in a picture on the wall and in a chair or lamp base, can create movement and rhythm in a room. Note how repetition is used in the room in 11-14 to create rhythm.

Emphasis. Emphasis refers to the center of interest or focal point in a room. Color, contrast, simplicity, and originality can all help create design emphasis. The emphasis may be an architectural feature such as a fireplace or a bay window. Or it may be created by furniture groupings, wall hangings, plants, or other accessories.

Effective focal points could be a modern painting in bright colors placed against a neutral background or an Oriental rug on a hardwood floor. You can design a room around the focal point of your choice. Just remember to keep other furnishings and ac-



DREXEL HERITAGE FURNISHINGS, INC.

11-13 Informal balance is achieved when different, but equivalent, items are placed on either side of a central point.

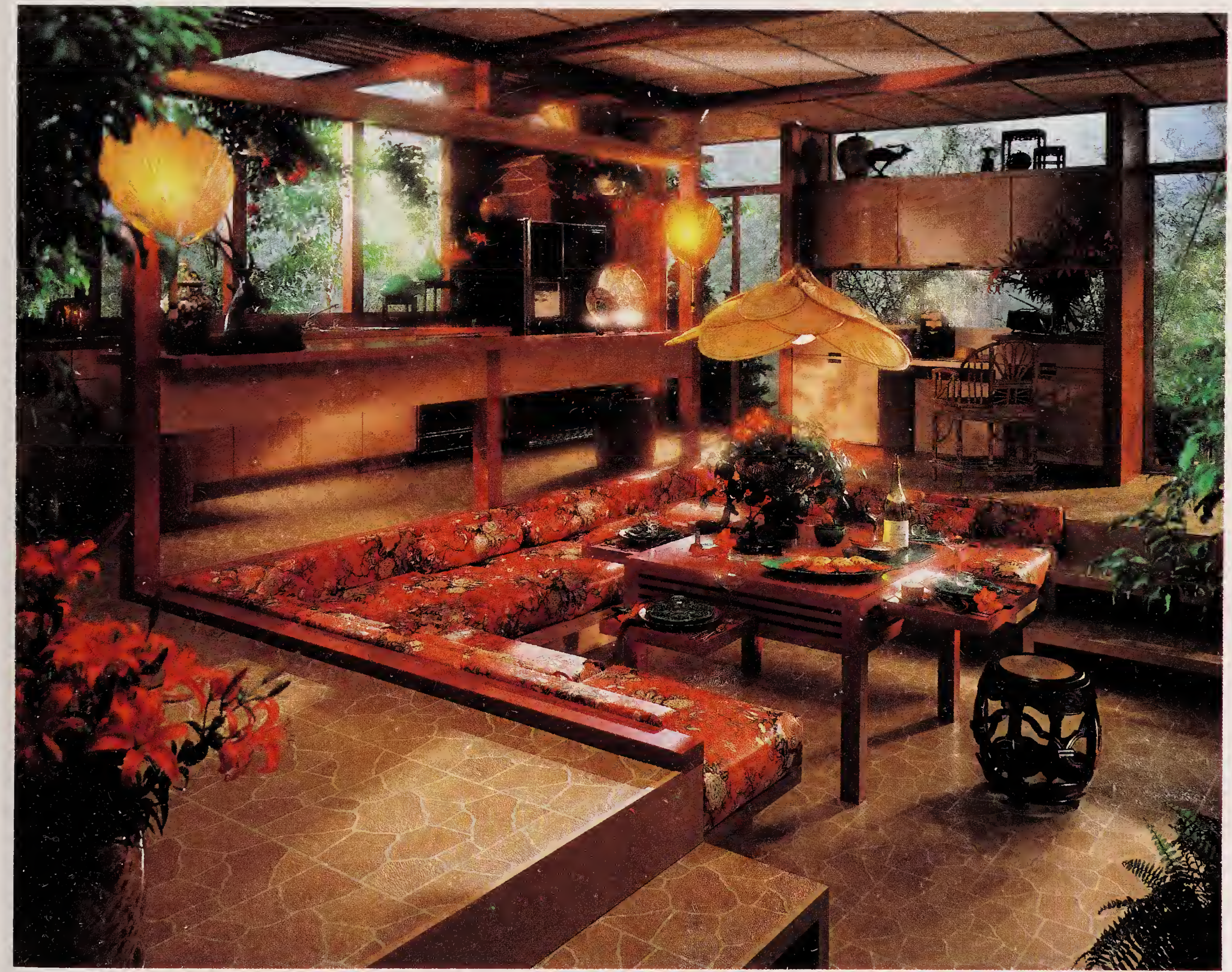
cessories less important than your center of interest.

Harmony. Harmony refers to the unified look of a successful design. In fact, harmony is sometimes described by the phrase, "unity with variation." Without harmony, a room is just a collection of chairs, tables, lamps, and other furnishings. When harmony is achieved, a room looks just right. There isn't too much or too many of anything. For example, straight, vertical lines may be dominant, but they are softened by some curved or horizontal lines. Warm colors may be dominant, but they are complemented by small amounts of cool colors. The end result of a well planned design is harmony.

Making room plans

Planning one room at a time is a way to break a big decorating job into smaller jobs you can handle with ease. As you plan and decorate a home, keep future needs in mind. The first home you have will probably be temporary. You can save money, time, and energy by decorating your first apartment or house with furnishings that you will be able to use later in other homes.

Before spending any money, it is a good


ARMSTRONG FLOORING

11-14 Horizontal lines, rectangular shapes, smooth textures, and warm colors are repeated to create rhythm.

idea to set up a chart for each room you plan to decorate, 11-15. On the chart, describe the room, list the furnishings you own and need for the room, and list the decorating jobs the room needs. Then draw a floor plan of the room to scale, like the plan in 11-16. Also draw furniture patterns to represent the furniture you would like to have in the room. Several common furniture pieces are drawn to scale in 11-17. By following the same scale, you can draw patterns to represent the furnishings you want in the room.

Arranging furniture patterns on paper can help you visualize different furniture arrangements. This can help you decide what size and style of furniture you need. It can also save you from buying furniture that will not fit the space you have available.

When arranging furniture in a room, consider traffic patterns, room characteristics, and activity areas.

Traffic patterns are the paths people follow as they walk through a home. Good traffic patterns allow easy passage in, out, and through rooms without cutting through furniture groupings. TV viewers do not want to be bothered by people walking in front of the set. Readers do not want people blocking their light. Conversationalists do not want to be interrupted by people passing through the room. Good furniture arrangements help create good traffic patterns.

Good traffic patterns lead people where they want to go in and through a room. They allow access to light switches, windows, bookshelves, and storage areas. They provide adequate space for opening doors and drawers.

A room's characteristics, especially its size and shape, are major influences on furniture arrangement. Furniture groupings must take into account the placement of windows and doors, built-in furnishings, and special features such as a fireplace. Even light fixtures and electrical outlets deserve consideration.

The activities planned for a room influence what furnishings the room should have and how they should be arranged. You may want to arrange areas for talking, studying, and working on hobbies. Each area must have adequate space. For instance, a dining area needs enough space to seat people comfortably and to serve them easily.

When shopping for furnishings and accessories, take your room chart and room floor plan with you. Also take along any fabric and color samples you have for the room. Then let the chart, floor plan, and samples be your buying guides.

FURNITURE SELECTION

Much of what you need to know about furniture selection will come from shopping experience. Yet you stand to lose a lot if you enter the marketplace with no background information. Therefore, you need to learn the basic facts about furniture selection before you begin shopping.

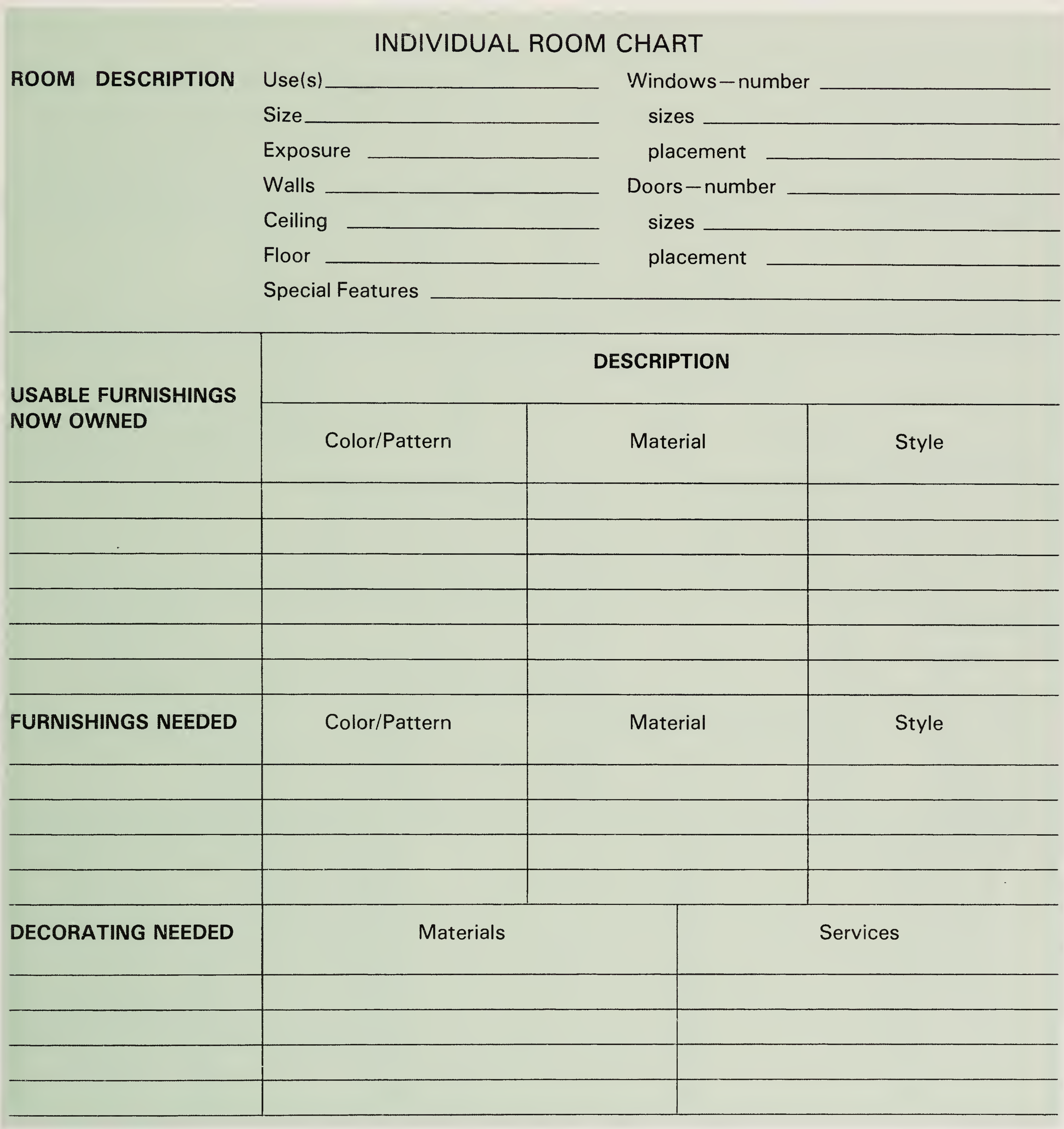
Needs are always the primary concern. Decide what pieces of furniture you need and want. Then consider how and where they will be used. Will they be used on a short-term or long-term basis? Will they look good with the furnishings you already have?

Quality and durability are important factors in furniture selection. The more use a piece of furniture receives, the more durable it needs to be. For example, a bed in a seldom used guest room does not need to be as high in quality as the bed you use nightly. A table you use for both family and guest meals should be of the best quality you can afford. An occasional table in a corner of a room may be of a lower quality or of less durable construction.

Appearance must be considered if you want furniture to look attractive in your home. Choose sizes, shapes, styles, and colors of furniture that fit your space and decorating theme. You also want the furniture you choose to be functional. For example, the chair you use often for relaxing and reading must be comfortable as well as attractive. However, an extra chair that is seldom used need not be the most comfortable chair in the room.

Price is often a key determining factor in deciding what furniture to buy. Work out a spending plan before you shop. Generally, buy the best furniture you can afford, especially when buying major pieces you will use often. Once you decide what piece of furniture you want, shop at several stores to compare prices.

The reputations of furniture manufacturers and sellers may affect your buying decisions.



INDIVIDUAL ROOM CHART

ROOM DESCRIPTION

Use(s) ____ Windows—number ____
Size ____ sizes ____
Exposure ____ placement ____
Walls ____ Doors—number ____
Ceiling ____ sizes ____
Floor ____ placement ____
Special Features ____

USABLE FURNISHINGS NOW OWNED	**DESCRIPTION**		
	Color/Pattern	Material	Style
FURNISHINGS NEEDED	Color/Pattern	Material	Style

DECORATING NEEDED	Materials	Services

MONEY MANAGEMENT INSTITUTE, HOUSEHOLD INTERNATIONAL

11-15 This form can help you furnish and decorate one room at a time.

Find out about store policies on returns, exchanges, and warranties. Shopping in reliable furniture or department stores for brand name furnishings is a safe, fast way to furnish a home. The drawback to this method is that it is expensive. With a little time, imagination, and legwork, you can save a lot of money. Chart 11-18 describes a number of places to shop for furniture and the merchandise you can expect to find at each.

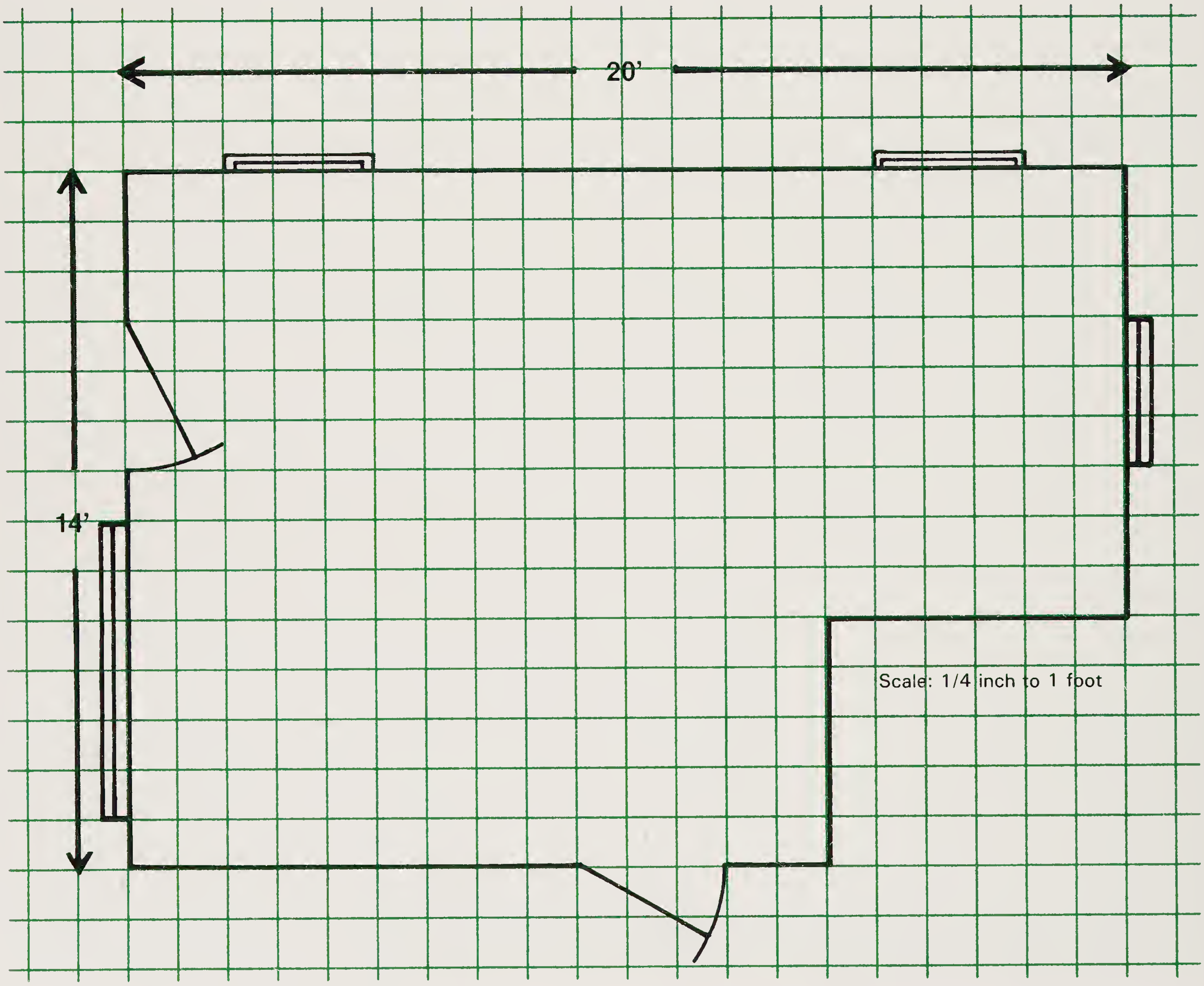
Services like credit plans and deliveries are other factors to consider as you shop. Ask the price of each service you need. Get a commitment on a delivery date if you need the furniture by a certain time. (Delay on delivery is one of the most common consumer complaints related to the purchase of furniture.)

As you know, buying a table is different from buying a sofa. As the different types of furniture are discussed—case goods, upholstered furniture, and sleep furniture—more specific guidelines will be given for each.

Case goods

Case goods are types of furniture that provide storage space. Examples include bookcases, desks, chests, and cabinets. The term case goods may also be used to describe dining room and bedroom furniture sold as sets.

Case goods are made from a variety of



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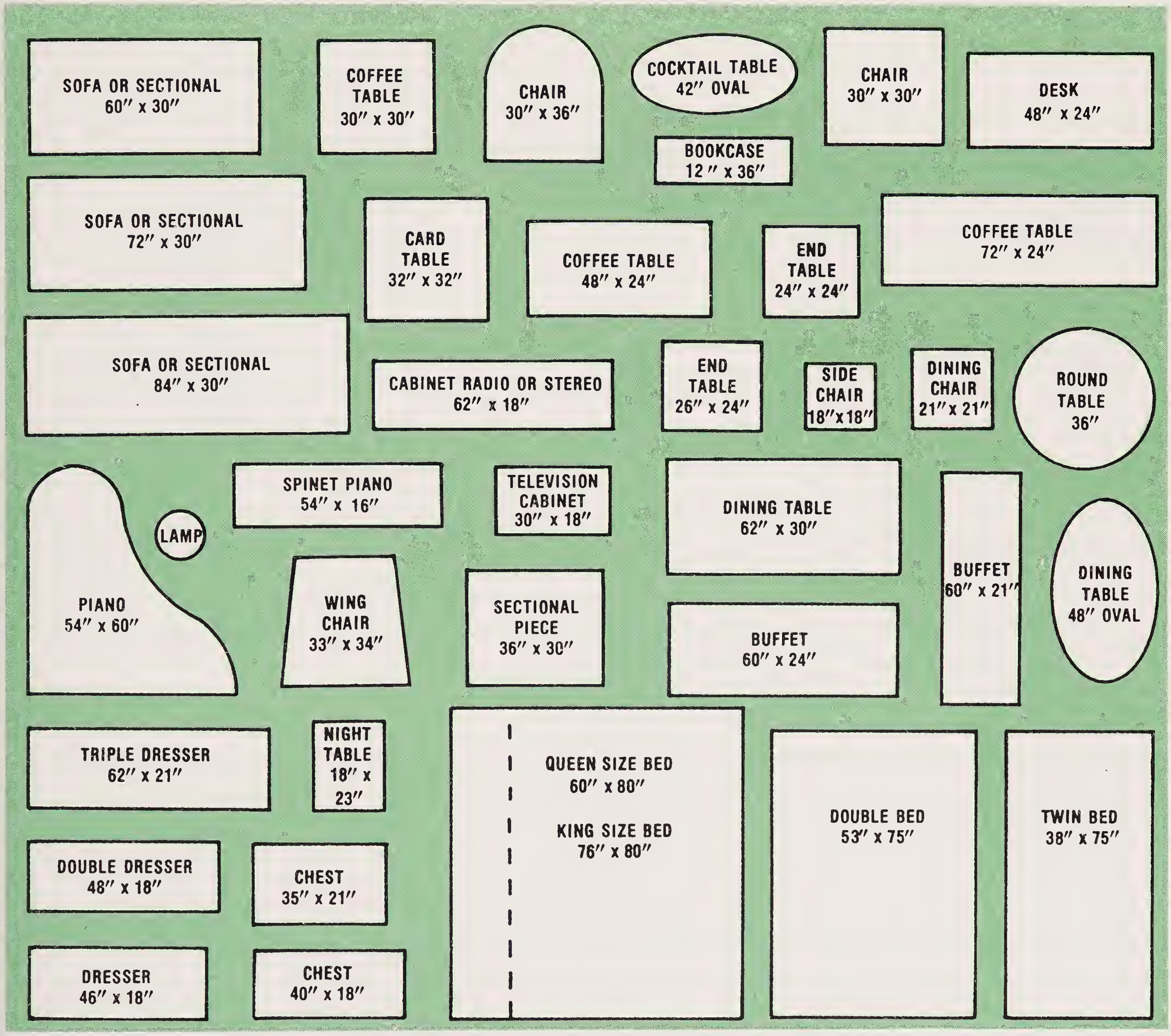
11-16 Drawing a room floor plan helps you visualize the space available for decorating.

woods, plastics, metals, and glass. When shopping for case goods, pay attention to construction and finish as well as to size and style.

Wood furniture may be made from hardwood, softwood, solid wood, or veneered wood. Any of these woods, as well as combinations of these woods, may be used to make good quality furniture. Still, you will need to know how these woods differ when you select your furniture.

Hardwoods include mahogany, maple, walnut, pecan, oak, fruit woods, and any other woods made from deciduous trees. (These are the trees that loose their leaves each year.) Hardwoods have beautiful, distinctive grains. They are generally stronger and more expensive than softwoods.

Evergreen trees such as cedar, redwood, and pine are the sources of *softwoods.* These woods are less expensive than hardwoods, but they show mars and scratches more easily.


SOFA OR SECTIONAL 60″ x 30″
COFFEE TABLE 30″ x 30″
CHAIR 30″ x 36″
COCKTAIL TABLE 42″ OVAL
CHAIR 30″ x 30″
DESK 48″ x 24″
BOOKCASE 12″ x 36″
SOFA OR SECTIONAL 72″ x 30″
CARD TABLE 32″ x 32″
COFFEE TABLE 48″ x 24″
END TABLE 24″ x 24″
COFFEE TABLE 72″ x 24″
SOFA OR SECTIONAL 84″ x 30″
CABINET RADIO OR STEREO 62″ x 18″
END TABLE 26″ x 24″
SIDE CHAIR 18″x18″
DINING CHAIR 21″x 21″
ROUND TABLE 36″
SPINET PIANO 54″ x 16″
TELEVISION CABINET 30″ x 18″
DINING TABLE 62″ x 30″
LAMP
PIANO 54″ x 60″
WING CHAIR 33″ x 34″
SECTIONAL PIECE 36″ x 30″
BUFFET 60″ x 24″
BUFFET 60″ x 21″
DINING TABLE 48″ OVAL
TRIPLE DRESSER 62″ x 21″
NIGHT TABLE 18″ x 23″
QUEEN SIZE BED 60″ x 80″
KING SIZE BED 76″ x 80″
DOUBLE BED 53″ x 75″
TWIN BED 38″ x 75″
DOUBLE DRESSER 48″ x 18″
CHEST 35″ x 21″
DRESSER 46″ x 18″
CHEST 40″ x 18″

MONEY MANAGEMENT INSTITUTE, HOUSEHOLD INTERNATIONAL

11-17 Using furniture patterns drawn to the same scale as the floor plan helps you visualize different furniture arrangements.

In *solid wood* furniture, all visible parts are made from whole pieces of wood that have been cut and carved to shape. Solid wood furniture is generally heavier and more expensive than veneered wood furniture. Solid wood may swell or crack under certain conditions.

Veneered wood is made of several thin layers of wood bonded together. Generally,

WHERE TO SHOP FOR HOME FURNISHINGS

Places to Shop	Merchandise Available	Advantages and Disadvantages
Furniture stores and large department stores	All types of furniture, lamps and lighting equipment, floor coverings, upholstery and drapery fabrics, and other related accessories.	Established reputation. Wide range of prices. Decorator services. Custom orders for furniture, floor coverings, upholstery, and draperies. Credit plans. Deliveries and installations. Warranties.
Specialty stores that sell floor coverings, window treatments, accessories, and antiques	Broad selection within the specialty. Related merchandise and equipment.	Established reputation. Custom orders. Credit plans. Warranties. Competitive prices. Deliveries and installations. Related services.
Unfinished furniture stores	Unfinished case goods. Hardware and accessories. Supplies and equipment needed for finishing. Instruction and idea books.	Lower prices than similar quality furniture that has been finished. Usually in stock; no waiting period. Instruction and advice on techniques and supplies needed to finish furniture. Deliveries.
Outdoor furniture stores	Furniture suitable for indoor as well as outdoor use. Canvas, wicker, rattan, bamboo, and plastic furniture. Wrought iron furniture. Redwood furniture. Outdoor accessories.	Often less expensive than similar quality indoor items. Credit plans. Deliveries. Warranties.
Secondhand stores Salvation Army Thrift shops House sales Garage sales Auctions	Almost anything, however auctions may be limited to certain items such as antiques and art objects.	Condition and quality of items vary. Guarantees, deliveries, credit, and other services seldom available. Prices may be negotiable. Prices considerably lower than those of comparable new items. May offer excellent values.
Rentals with option to buy	Most types of furniture and accessories.	Wide selection. Deliveries. Credit plans.

11-18 Furnishings of varying quality can be bought at a number of different places.

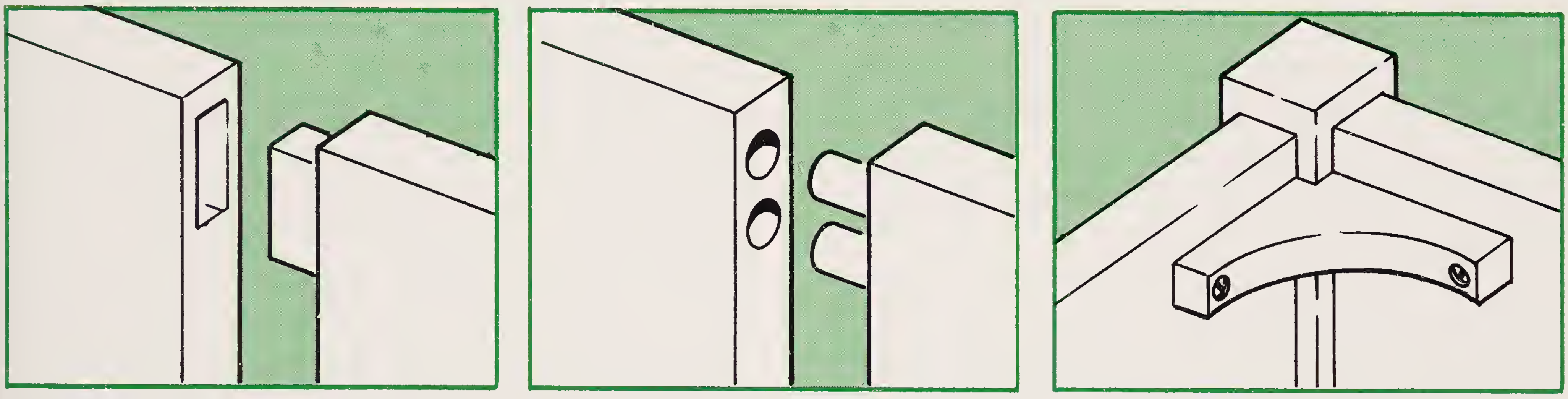
the inside layers are made of inexpensive woods, while one or both of the outside layers are made of finer woods. Veneered wood makes strong, durable furniture. The veneer process gives furniture the look of costly woods at a reasonable price.

Labels on wood furniture tell you what type of wood is used and whether the wood is solid or veneered. When a surface is not what it appears to be, the label must state what it is or that it is an imitation. For example, if a pine table looks like walnut, the label should say "pine" or "walnut finish."

The quality of wood furniture depends largely on construction. The quality of construction depends largely on joints and joining methods. The most common methods of wood joinery are described in 11-19. Other important construction features are listed below.

- Doors and drawers should fit well and work smoothly.
- Legs should be firmly attached and smoothly finished. They should stand squarely on the floor.
- Surfaces should be smoothly finished and free of defects. Select wood finishes that will withstand the use you will give them.

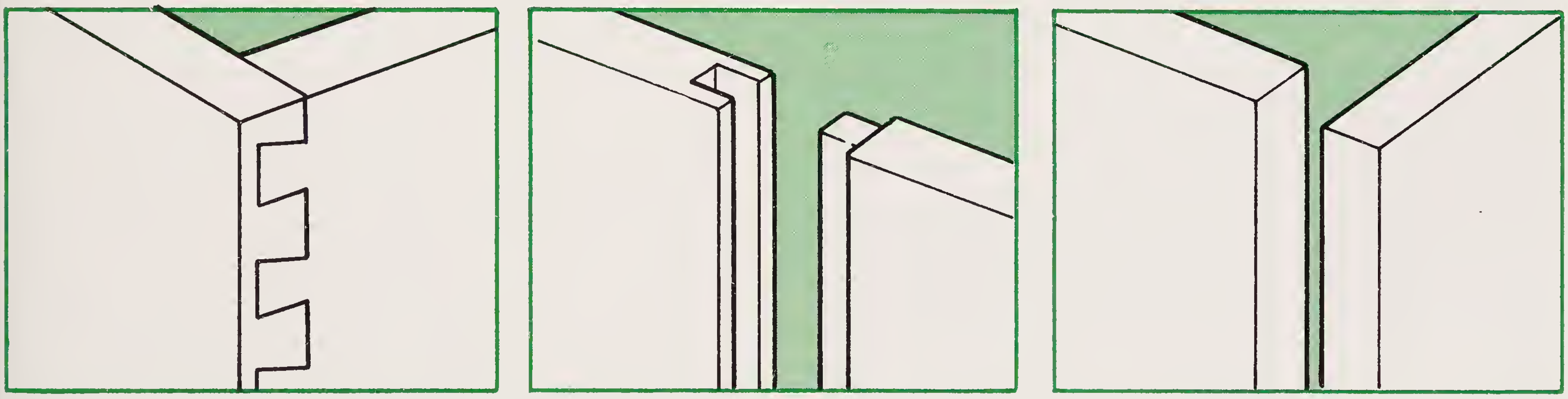
WOOD JOINERY



MORTISE AND TENON forms a strong union by fitting a notch made in a solid piece of wood tightly into a hole cut in an adjoining piece of wood. No nails or screws are used, only glue, to achieve one of the best methods of joining.

DOUBLE DOWEL joinery is the most commonly used and the second best type of construction. Dowels are wooden pins that are fitted into holes drilled into both adjoining pieces of wood and glued.

CORNER BLOCKS are triangular pieces of wood, screwed and glued to support and reinforce the frame. They are used in the construction of tables, case goods, and seating pieces to keep one side from pulling away from the other.



DOVETAIL joinery is a method of attaching boards at right angles as in the sides of a drawer. Each board has interlocking tenons that are cut in the form of a dove tail. It is almost standard construction for all drawers.

TONGUE AND GROOVE joints, if done skillfully, are invisible. An example is where several boards are joined to form a table top. One board will have a projecting tongue that fits into a groove on a corresponding board.

BUTT JOINT construction is one in which one board is glued or nailed flush to another board. It is the least desirable of all joint constructions.

SEARS, ROEBUCK & CO.

11-19 Joining methods determine the strength of wood furniture.

Laminated and plastic finishes resist water, scuffs, burns, and scratches. They may be desirable for furniture that will receive hard use.

- All sides of the wood (not just the front) should be finished.
- Knobs and hardware on drawers and doors should be firmly attached and easy to grasp.
- Dust panels should be used between drawers.

Although wood is used for most case goods, *plastic* is gaining popularity. Plastic can be attractive and functional. It often sells at lower prices than comparable wood pieces. It comes in a variety of colors, shapes, and styles. When shopping for plastic furniture, look for durable and sturdy pieces. They should have smooth finishes and edges and uniform color and gloss.

Many contemporary-styled case goods are made from *metal* and *glass*. When buying metal and glass furniture, look for smooth finishes, weight-tempered glass, rustproof metals, and sturdy designs.

Upholstered furniture

Upholstered furniture includes primarily chairs and sofas. Since much of the construction is hidden, it is important to read labels, ask questions, and buy from reliable sellers.

Labels on upholstered furniture should provide the following information:

- Fiber content of the upholstery fabric.
- Finishes applied and their purposes.
- Care instructions.
- Flammability standards.
- Filling materials used.
- Spring construction used.
- Wood or other material used in the frame.

The durability of upholstery fabric is determined largely by its fiber content and fabric construction. Nylon and olefin fibers and tightly woven fabrics provide the best wearability. Protective finishes may be applied to some upholstery fabrics to improve wearability. These finishes may resist soil, stains, and fading. They also may add body and luster.

Upholstery of leather or vinyl is durable and easy to maintain. Leather is very expensive and luxurious. Good vinyl may serve as a less expensive substitute. When shopping, look for soft, pliable vinyl or leather that has uniform color.

Cushioning and filling materials are made primarily of down, fiber fill, latex, urethane foam, or a combination of these materials. Down is the most expensive filling material. It gives the softest "sink-in" comfort. Fiber fill is the closest manufactured substitute for down. It is less expensive and more durable. Latex and foam are firmer. They give cushions a more tailored look.

Springs in upholstered furniture may be zig-zag or coil, 11-20. *Zig-zag springs* are generally less expensive than coil springs. They feel firmer and look less bulky. This makes them good for lightweight, sleek-looking furniture. *Coil springs* are softer and have more "bounce." They are used for larger, bulkier pieces. Both springs are covered with padding which is usually made of foam or cotton.

The frame of upholstered furniture may be made of wood, plastic, metal, or a combination of materials. When it is not visible, look at the label or ask the salesperson about the frame material and construction. Look carefully at what is visible and check the same construction features you would check if buying case goods. Be sure that the furniture rests squarely on the floor and that it is sturdy and strong at points of strain.

Pay attention to other visible features, too. All seams should be smooth and straight. Hems on skirts and pleats should be smooth and even. Any patterns, stripes, or plaids in upholstery fabrics should match, and any designs should be centered. Reversible cushions are a practical feature that can help furniture look nice longer. Cushion covers should have zipper closures and should fit snugly. As a final test, sit on the chair or sofa. It should feel comfortable in terms of size and firmness.

Sleep furniture

Sleep furniture includes beds and dual purpose sleeper chairs and sofas. When you buy a bed, comfort is the most important feature. A mattress and springs are usually sold together as a set to give the best wear and comfort. Look for the size and degree of firmness that will be best for you.

King and queen size beds are more expensive than the standard twin or double beds. Bedding is also more expensive for larger beds. However, if a larger bed is more comfortable for you, paying the extra cost for a bed you will use for many years may be a wise investment.

The two most common types of mattresses are innerspring and foam. An *innerspring mattress* is constructed of coil springs. In open coil construction, the springs are tied together by steel wire. In covered or pocketed coil construction, each coil is surrounded by individual pockets and the pockets are attached to each other. Usually, a layer or two of padding or cushioning is placed over the coils and all is enclosed by a durable, tightly woven fabric. The type of springs and the amount of padding that covers the springs determine the firmness and comfort of the mattress.

A *foam mattress* is usually made of urethane or latex. The foam is molded, and then it is cut into mattress sizes. Foam mattresses are resilient, lightweight, and lower in cost. They also resist dust, moths, and mold. The thickness of the foam will determine the firmness, comfort, and support of the mattress.

Bedsprings are needed to support a mattress. Usually, three types of bedsprings can be found: box springs, open coil springs, and flat springs. *Box springs* are the most popular. These springs are covered, usually padded, and enclosed in a covering to match the mattress. *Open coil springs* are also enclosed springs, but they are not padded or covered. Therefore, they are less expensive than box springs. *Flat springs* are neither covered nor enclosed. They are the least expensive and are not generally sold in a set with a mattress. Since flat springs are not very resilient or durable, they are not recommended for constant use.

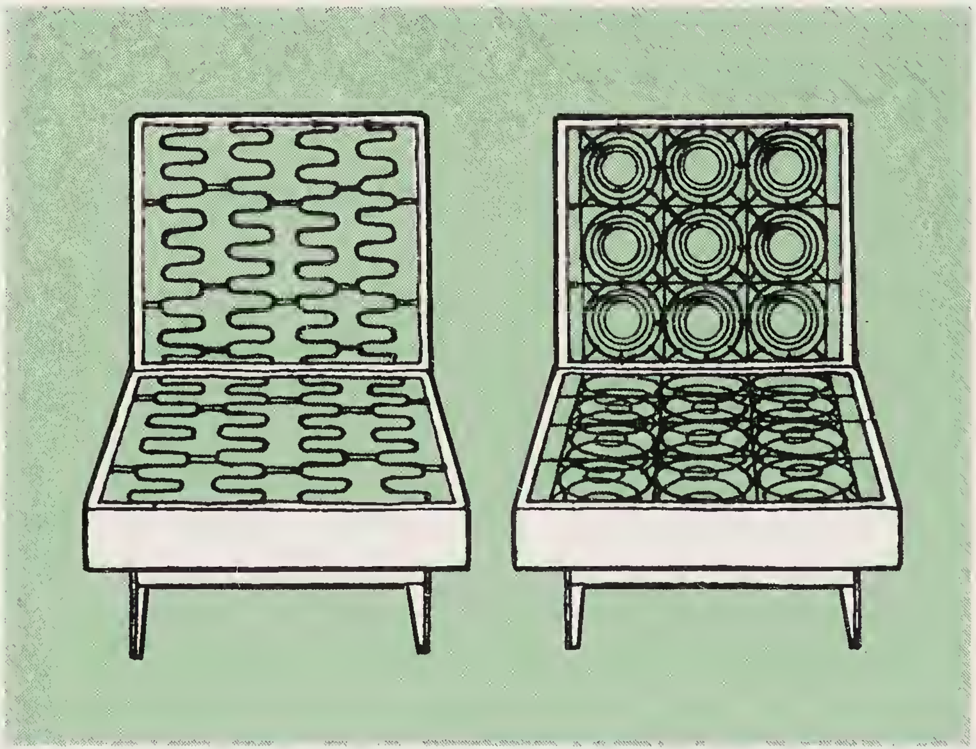
When shopping for mattresses, be sure to read their labels to find out:

- The fiber content of the cover.
- The filler materials used.
- The type of spring construction.
- The special finishes and treatments applied.
- The flammability standards.

Under the mattress and springs is the bed frame. Frames are usually made of steel that can adjust to different size mattresses. A frame with a center support is recommended for queen and king size mattresses and springs. The headboard attaches to the frame. Frames with casters or rollers make beds easier to move.

Waterbeds are another type of sleep furniture. A waterbed consists of a water mattress and a bed frame. A water mattress is usually made of vinyl or a heavy-duty plastic that is filled with water. Most waterbeds have a waterproof liner that is placed between the water mattress and the frame or that surrounds the mattress completely. A liner serves as a back up system should a leak ever occur in the water mattress.

Some waterbeds also have a thermostatically controlled heating system. This type of control allows you to adjust the temperature of the mattress so it can be warm in the winter and cool in the summer.



SEARS, ROEBUCK & CO.

11-20 Chairs and sofas with zig-zag springs are usually firmer and less expensive than those with coil springs.

As with any bed, comfort is the most important feature to consider when selecting a waterbed. The construction of the mattress will determine how wavy the mattress is. If you prefer a firmer mattress, choose one with fiber filling or with baffle strips. The fiber filling or the baffle strips will slow the surge of water in the mattress and reduce the shifting of water.

Since waterbeds are very heavy, they require a firm floor for support. Some landlords do not permit tenants to use waterbeds because of the weight and the danger of leakage.

Sleeper sofas and sleeper chairs are designed for sitting and sleeping. If you need extra sleeping space now and then, this type of furniture is a good choice.

Sleeper sofas can also serve well in studio apartments. If the sofa will be used mainly for sitting, its sitting comfort and appearance will be the most important factors to consider. If it will be used nightly for sleeping, look first for sleeping comfort.

When buying a sleeper sofa, you will need to check the construction and quality of the upholstery and mattress. Also check to see how easily the sofa converts to a sleeper. The mattress should be easy to open out and fold away. There should be no protruding parts when the sofa is open for sleeping or closed for sitting. Once again, check its comfort. Make sure it would be good to use for sitting and sleeping.

FLOORS AND FLOOR COVERINGS

Floors and floor coverings are major items to consider when furnishing a home. The type and quality of floor or floor covering you select will depend on the following factors.

Use. How long do you expect to use it? Will it be used in light or heavy traffic areas? Will it be subjected to light or heavy soiling? A floor that will receive a lot of wear and tear will need to be as durable as possible.

Price range. What can you afford? How do the costs of different floors and floor coverings compare? What are the costs of installation and maintenance?

Decorating needs. What color, design, and texture would be most appropriate and appealing? Which type of floor or floor covering would look the best? Do you need to choose a floor covering for a particular purpose—to cover an unattractive floor or to create an illusion of greater space?

Comfort needs. Is there a need for greater warmth or sound insulation?

The three basic types of floors and floor coverings are hard floors, resilient floor coverings, and soft floor coverings.

Hard floors. Types of hard floors include ceramic tile, clay tile, brick, concrete, stone, and wood. Hard floors are durable and attractive. However, they may be colder, noisier, and less comfortable than other floorings. In addition, they are more difficult and costly to install. Most hard floors are installed when a structure is being built. Unless you are building or remodeling a home, you are not likely to be given a choice of hard floors.

Resilient floor coverings. Vinyl, vinyl-asbestos tile, asphalt tile, and cork tile are the major types of resilient floor coverings. Resilient means that the flooring has some "give" to it, but that it keeps its original shape. The major advantages of resilient floor coverings are their walking comfort and noise control. Most are durable, easy to clean, and fairly inexpensive. A number of designs and colors are available in resilient floor coverings. Some patterns are designed to look like hard floors such as stone, brick, and wood.

Soft floor coverings. In soft floor coverings, you have two basic choices: carpeting and rugs. Both come in a variety of patterns, colors, and prices. Carpeting can help insulate rooms, absorb sounds, and make rooms seem more spacious. Rugs can help define activity centers in a room. Since rugs are not attached to floors, they can be sent out for professional cleaning and moved from one location to another.

The quality of carpets and rugs depends largely on the fiber content and the density of the pile. The five fibers used to make most carpets and rugs are described in 11-21. The pile of a carpet or rug refers to the surface yarns. When the yarns are close together, the pile is said to be dense or thick. A dense pile is a sign of high quality and durability. To check pile density, bend back a corner of the carpet or rug. The more backing you can see between yarns, the lower the density is and the lower the quality is. Lower quality carpets and rugs may be suitable for rooms that have little traffic, but they cannot withstand heavy wear and tear.

Another sign of quality is a carpet or rug backing that is sturdy enough to hold surface yarns in place. A sturdy backing prevents stretching and shrinking. Most backings are made of jute, cotton, or a synthetic material.

As you shop, check to see if carpets and rugs are padded. Padding improves durability, warmth, and resiliency ("bounce"), and it helps absorb sound. Padding is fairly inexpensive and pays for itself in comfort. It also adds durability to carpets and rugs. Jute and sponge rubber are common padding materials. Ask for padding recommendations when you buy your carpet or rug.

Be sure to read carpeting and rug labels carefully. They should list the fiber content, construction method, care instructions, backing materials, and style and color numbers. When you make a choice and place an order, ask for the following items in writing:

- Style and color numbers.
- Size ordered.
- Price.
- Fiber content and care instructions.
- Manufacturer's name.
- Type and price of padding.
- Installation charges.
- Delivery and installation dates.

If you are sent the wrong carpet or rug, you will have the information in writing to verify what you actually ordered.

FIVE MAJOR FIBERS USED TO MAKE CARPETS AND RUGS

WOOL	NYLON	ACRYLIC	POLYESTER	OLEFIN
Fiber characteristics:				
Good abrasion resistance. Excellent resiliency. Superior resistance to soil. Excellent cleanability. Good spot and stain removal. Almost static free. Good colorfastness. Can create problems with wool allergies.	Superior abrasion resistance. Excellent resiliency. Good resistance to soil. Excellent cleanability. Excellent spot and stain removal. Generates static electricity. Excellent colorfastness. Non-allergenic.	Good abrasion resistance. Excellent resiliency. Excellent resistance to soil. Excellent cleanability. Excellent spot and stain removal. Almost static free. Excellent colorfastness. Non-allergenic.	Excellent abrasion resistance. Excellent resiliency. Good resistance to soil. Excellent cleanability. Excellent spot and stain removal. Generates less static than nylon. Good colorfastness. Non-allergenic.	Excellent abrasion resistance. Fair resiliency. Excellent resistance to soil. Excellent cleanability. Superior spot and stain removal. Less static than nylon or polyester. Good colorfastness. Non-allergenic.
Suited best for families who:				
Are probably permanently located in a home. Appreciate luxury.	Have small children who spill food and liquids. Have lots of traffic and put a lot of wear on carpets.	Have less money to spend on carpeting.	Like bright colors. Want carpet that is soft to touch and easy to clean.	Tend to soil and stain carpet easily. Want carpeted outdoor areas.

SEARS, ROEBUCK & CO.

11-21 The fiber content of carpets and rugs affects their durability and quality.

LIGHTING FIXTURES

Lighting is another important aspect of decorating. Most homes have ceiling and wall fixtures to provide general lighting. These fixtures are supplemented by table and floor lamps to provide local lighting for reading and work areas. See 11-22. Accent lighting may be used to highlight interesting objects or to provide special decorative effects.

When you shop for a lamp or lighting fixture, consider the following questions.

Does the lamp or lighting fixture provide adequate light for its purpose?

Is the type, size, style, and color of the lamp or lighting fixture appropriate for the place you plan to use it?

Do the lamp base and shade look good together, in terms of size, shape, and color?

Will special bulbs be needed? If so, will they be easy to buy at a reasonable price?

Is the lamp sturdy with a level shade that is firmly attached?

Does the lamp or lighting fixture carry the Underwriters Laboratories (UL) seal indicating electrical safety?

WINDOW TREATMENTS

Window treatments are both functional and decorative. They provide light, privacy, and insulation. They also affect the overall design of a room. Curtains, draperies, shades, blinds, and shutters are common window treatments. These treatments may be varied or combined to create a wide range of design effects. Your choice will depend on your windows, your decorating plan, and your budget, 11-23. The following questions may help you decide if the window treatments you like would be appropriate for the windows in a room you are decorating.

Will the window treatments create the effect you want in the room?

Can they be adapted to fit any problem windows you have, such as corner windows, bay windows, and windows of odd sizes?

Will they let in enough light but still provide privacy?

Will the window treatments permit full and convenient use of the windows?

Will they be easy to handle or install?

Does the price of the window treatments include fees for measuring, installation, or any other services you need? If not, what will these services cost?

Can necessary hardware be conveniently and properly installed around the windows in the room?

Can you buy the window treatments ready-made, or will they have to be custom-made to fit your windows?

Is the fabric or material of the window treatments easy to clean? Is it durable, sun resistant, and soil resistant?

CHOOSING HOME APPLIANCES

The number of large and small appliances in American homes has continued to increase. To get an idea of the money your family spends on appliances, make a quick room-by-room count and cost estimate of appliances throughout your home. Your total investment may startle you. Over a lifetime, you can make the most of the many dollars you spend on equipment by making wise choices. Careful planning can help you select the appliances you really need and can afford.

Before buying any appliance, you should determine your appliance needs. What jobs do you need an appliance to perform for you? What size appliance do you need? Do you have the available space to install it? What special features are important to you? What safety and economy features do you want? Will gas or electric equipment work better for you? What space do you have for storage of small appliances when not in use?

Then decide how much you can spend for each appliance you want to purchase. Many major home appliances are bought on credit. How much can you afford to pay in monthly payments if you plan to use credit? What would you pay in finance charges? How much money will you need for installations, servicing, and operating costs?

The time to get information on appliances is before you buy. For sources on appliance

SEARS, ROEBUCK & CO.

11-22 In this room, ceiling fixtures are combined with table and floor lamps to provide general and local lighting.

KIRSCH CO.

11-23 Mini-blinds are practical as well as decorative. They can be opened for light or closed for privacy.

ratings, read consumer information publications from manufacturers, retailers, government, trade associations, utility companies, and consumer organizations. Look for newspaper and magazine articles that give general and specific guides on buying, using, and servicing appliances. And be sure to read the labels, seals, and instruction booklets that accompany equipment and appliances. They will give you the facts and directions on use, performance, safety, energy efficiency, and capacity.

Always shop around before you buy. Identical appliances can vary in price from store to store. Shopping is essential to get the best values. As you shop and compare prices of different appliances, also consider appliance features, appliance safety, energy efficiency, warranties, and appliance servicing.

Appliance features

One of the most important things to consider when buying an appliance is its features. When comparing appliances, check construction features carefully. Appliances should be sturdy, well-built, and evenly balanced. Ranges, refrigerators, freezers, dishwashers, clothes washers and dryers, and trash compactors should have hard, durable finishes that will not scratch or dent easily. Ovens and refrigerators should have sturdy shelves with shelf supports. Shelf supports prevent shelves from falling and from being pulled out accidentally. Handles and legs on all appliances should be firmly attached.

Watch for seals which show that appliances meet safety standards. Electric appliances should carry the *UL seal* of Underwriters Laboratories. Gas appliances should be labeled with the *AGA blue star* of the American Gas Association.

When shopping for appliances, also look for built-in safety features, 11-24. Look for automatic switches on washers, dryers, dishwashers, trash compactors, and microwave ovens. This type of switch automatically stops operation when the appliance door is opened. Doors on refrigerators, freezers, and dryers should have safety locks. These locks prevent children from being trapped inside these appliances accidentally.

The best appliances are not only well-built and safe, they are also easy to use. Choose appliances with controls that are easy for you to read, understand, and operate.

Features for easy cleaning are helpful too. Portable appliances that can be immersed in water are easier to clean than non-immersible ones. Some features on major appliances are even more helpful. Self-cleaning ovens and frost-free refrigerators do the hard cleaning jobs for you.

The easier it is for you to use and clean an appliance, the more you will use it. The more durable an appliance is, the longer it will last. The safer an appliance is, the more protection you will have from possible accidents. Of course, the more features an appliance has, the higher its purchase price and operating costs will be. But features that lengthen the life of an appliance or make it safer and more convenient to use may be well worth the extra cost. You need to be aware of your options and make decisions according to your personal needs and finances.

Appliance safety

Buying well-built, safe, and convenient appliances is only half the job. You also have to install, use, and care for them safely and properly. Reading the directions is the first and most important safety practice to follow. Appliances perform better, last longer, and require less servicing if you follow directions carefully. Review the instruction booklet before you buy an appliance and read it carefully before you use it. Then keep the booklet in a convenient place for future reference.

When installing major appliances, ask qualified and reliable service persons to make gas, electrical, and plumbing connections. Do-it-yourself installations and servicing may be risky unless you are trained to do these jobs.

When using small electric appliances, select a space which is large enough to work, close enough to electrical outlets, away from the sink area, and out of the reach of small children. You can prevent many home accidents by following these simple precautions.

Before using an electric appliance, make sure the appliance and the cord are in good condition. Use extension cords only for low-wattage appliances—not for high-wattage appliances such as irons, toasters, and coffee makers. Always turn off appliances before connecting or disconnecting them at outlets. It is also a good idea to disconnect appliances when not in use.

Be sure to avoid using several electric appliances on a single circuit. Overloading circuits can blow a fuse and create a fire hazard.

If you have gas appliances, promptly call the gas company if you ever smell gas and suspect a leak. Since gas leaks are very dangerous, most gas utility companies will check your home free of charge or for a small fee.

Energy efficiency

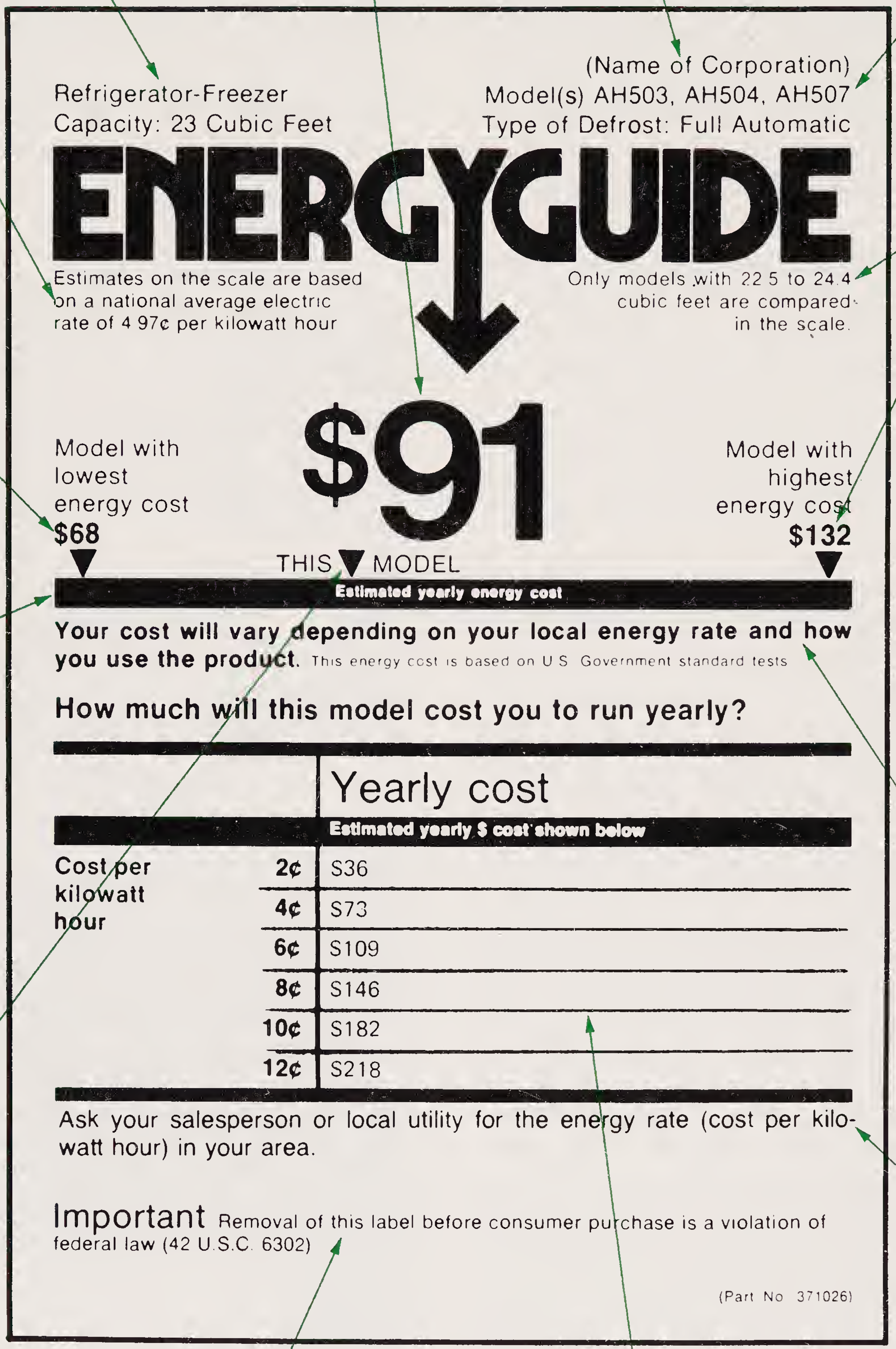
Energy efficiency is another important factor to consider when selecting a major appliance. As you shop, be sure to look for information on energy usage. *EnergyGuide labels* appear on these appliances: refrigerators, refrigerator-freezers, freezers, dishwashers, clothes washers, water heaters, room air conditioners, and furnaces. An EnergyGuide label shows the average yearly energy cost of operating an appliance. By comparing the average cost estimates for similar appliances, you can determine which would be the most energy efficient and least costly to operate. There are three types of EnergyGuide labels: energy cost labels, energy efficiency rating labels, and generic labels.

Energy cost labels are used on refrigerators, refrigerator-freezers, freezers, dishwashers, clothes washers, and water heaters. See 11-25. These labels tell you the estimated yearly energy cost of operating an appliance based on a national average electricity rate. It also shows the range of energy costs for competing brands and models. The lower part of the label gives cost estimates for different utility rates. Your utility company can tell you local rates. Then you can figure more precise operating costs for an appliance.

Energy efficiency rating labels are used on room air conditioners, 11-26. These labels give the efficiency rating for a room air conditioner. They also show the range of efficiency ratings for competing room air conditioners of the same cooling capacity. The labels also provide a chart to help you figure the yearly energy cost of the appliance based on local electricity rates and expected hours of use.

AMANA REFRIGERATION, INC.

11-24 The controls on this range are well out of the reach of young children—an important safety feature for families.



Refrigerator-Freezer
Capacity: 23 Cubic Feet

(Name of Corporation)
Model(s) AH503, AH504, AH507
Type of Defrost: Full Automatic

ENERGYGUIDE

Estimates on the scale are based on a national average electric rate of 4.97¢ per kilowatt hour

Only models with 22.5 to 24.4 cubic feet are compared in the scale.

Model with lowest energy cost **$68**

$91

Model with highest energy cost **$132**

THIS ▼ MODEL

Estimated yearly energy cost

Your cost will vary depending on your local energy rate and how you use the product. This energy cost is based on U.S. Government standard tests

How much will this model cost you to run yearly?

		Yearly cost **Estimated yearly $ cost shown below**
Cost per kilowatt hour	**2¢**	S36
	4¢	S73
	6¢	S109
	8¢	S146
	10¢	S182
	12¢	S218

Ask your salesperson or local utility for the energy rate (cost per kilowatt hour) in your area.

Important Removal of this label before consumer purchase is a violation of federal law (42 U.S.C. 6302)

(Part No. 371026)

Type of appliance and capacity.

Estimated annual operating cost of this model only.

Name of manufacturer and model number of the appliance on which this label appears.

All model numbers are listed if the label applies to more than one model.

National average cost for electricity upon which the estimated annual energy cost figure is based.

All brands and models compared in the scale on this label fall within this capacity range.

Estimated annual operating cost for the model in this size range that costs *least* to operate.

Estimated annual operating cost for the model in this size range that costs *most* to operate.

Scale showing lowest and highest estimated operating costs for models within this size range. These models represent different brands, not just those of the company listed in the upper right-hand corner.

Cautions that the customer's cost will not necessarily be the same as the cost figure given above.

Where the estimated annual cost of this particular model falls in comparison to all other models in this size range.

Suggests that the customer ask salesperson or utility for local utility rates.

Warning that it is unlawful to remove label.

A grid to help determine more closely the customer's operating cost based on local utility rates and use habits.

11-25 Here is a sample energy cost label. It explains how these labels help consumers compare yearly operating costs for similar appliances.

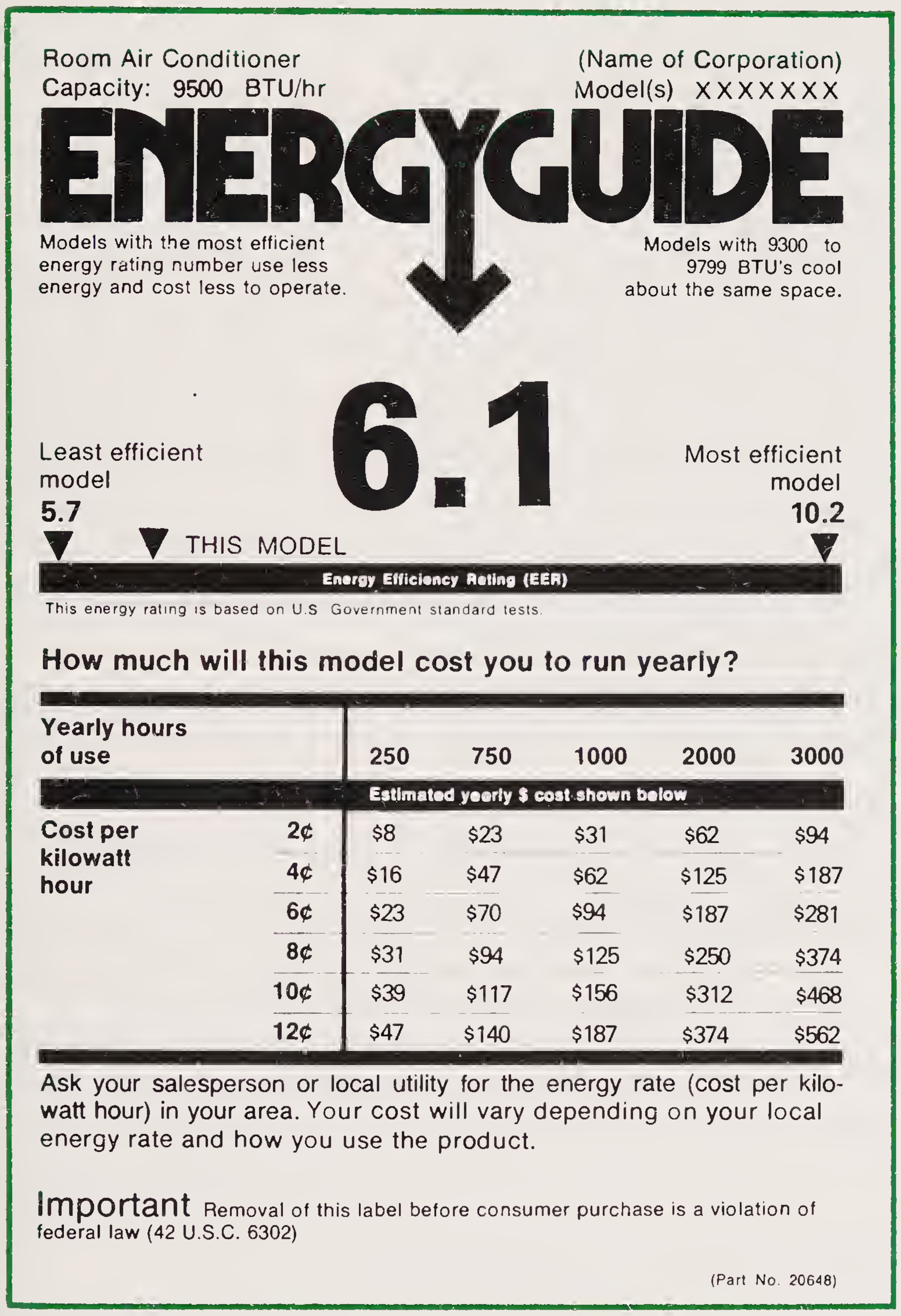
Generic labels are required on all furnaces, 11-27. They give general tips for conserving energy in the home. They also direct consumers to ask for energy fact sheets which manufacturers must prepare for their furnaces. The fact sheets give information on system components and overall efficiency. They also give estimated energy costs of heating systems for different geographic locations and utility rates.

When you buy appliances, it pays to consider energy efficiency and operating costs. This is especially true for appliances that you expect to use often for a number of years. Appliances that are more energy efficient will cost less to operate. So even if the purchase price of an energy efficient appliance is high, the appliance may still be a bargain. Over the years, it will probably save you a lot of money in the form of lower utility bills.

Warranties

Warranties are particularly important when buying appliances that may require service or repairs from time to time. When you shop, compare warranties just as you compare other features.

An appliance may have either a full warranty or a limited warranty. A *full warranty* provides for free repair or replacement of the warranted item or part if any defect occurs while the warranty is in effect. The warrantor may determine whether to repair or replace



Room Air Conditioner
Capacity: 9500 BTU/hr

(Name of Corporation)
Model(s) XXXXXXX

ENERGYGUIDE

Models with the most efficient energy rating number use less energy and cost less to operate.

Models with 9300 to 9799 BTU's cool about the same space.

Least efficient model 5.7

6.1

Most efficient model 10.2

THIS MODEL

Energy Efficiency Rating (EER)

This energy rating is based on U.S. Government standard tests.

How much will this model cost you to run yearly?

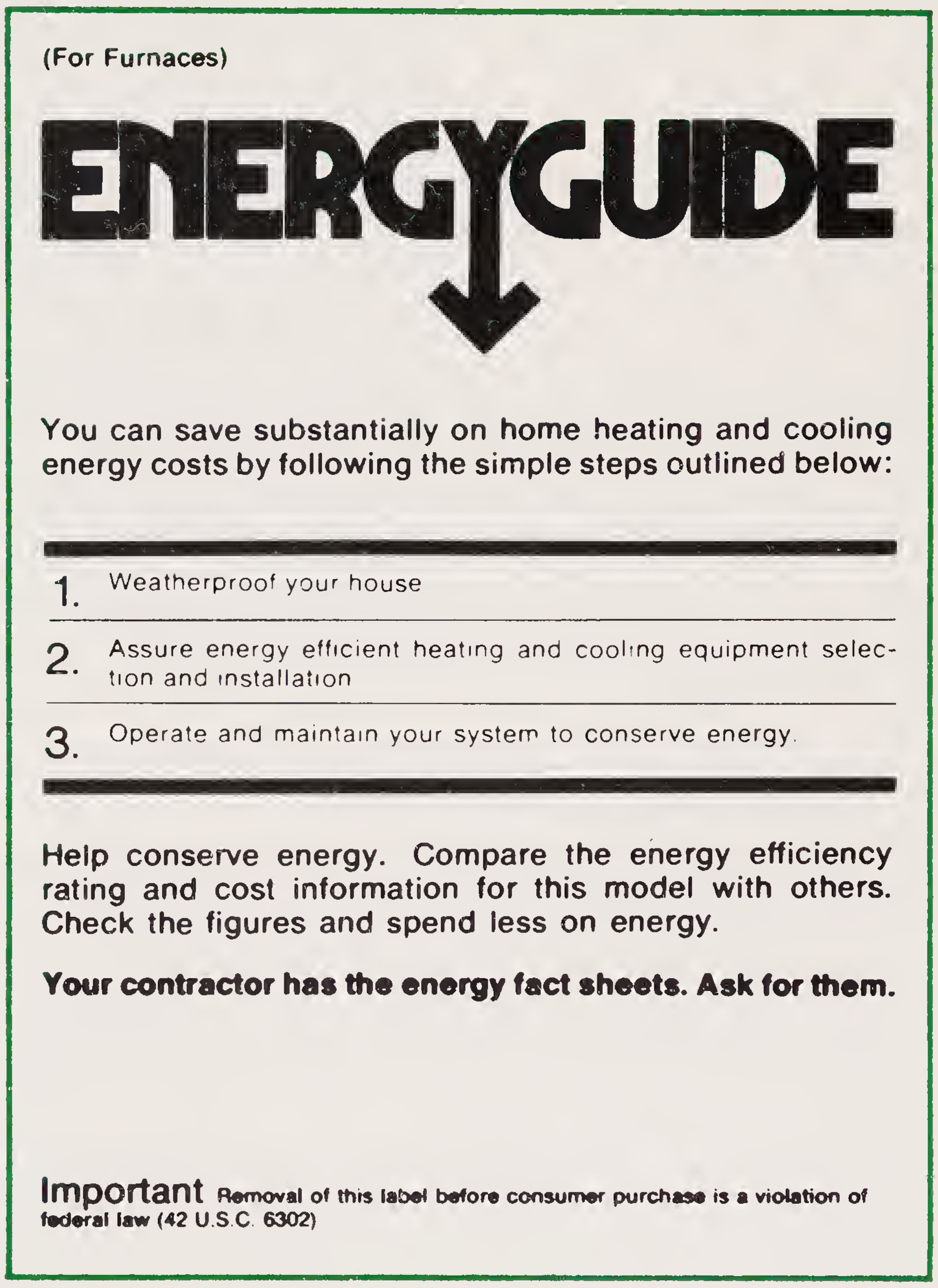
Yearly hours of use		250	750	1000	2000	3000
		Estimated yearly $ cost shown below				
Cost per kilowatt hour	2¢	$8	$23	$31	$62	$94
	4¢	$16	$47	$62	$125	$187
	6¢	$23	$70	$94	$187	$281
	8¢	$31	$94	$125	$250	$374
	10¢	$39	$117	$156	$312	$468
	12¢	$47	$140	$187	$374	$562

Ask your salesperson or local utility for the energy rate (cost per kilowatt hour) in your area. Your cost will vary depending on your local energy rate and how you use the product.

Important Removal of this label before consumer purchase is a violation of federal law (42 U.S.C. 6302)

(Part No. 20648)

11-26 Energy efficiency rating labels give an efficiency rating for climate control appliances such as room air conditioners.



(For Furnaces)

ENERGYGUIDE

You can save substantially on home heating and cooling energy costs by following the simple steps outlined below:

1. Weatherproof your house
2. Assure energy efficient heating and cooling equipment selection and installation
3. Operate and maintain your system to conserve energy.

Help conserve energy. Compare the energy efficiency rating and cost information for this model with others. Check the figures and spend less on energy.

Your contractor has the energy fact sheets. Ask for them.

Important Removal of this label before consumer purchase is a violation of federal law (42 U.S.C. 6302)

11-27 Generic labels on furnaces contain general information on how to conserve energy in the home.

the item. The buyer may not be asked to do anything unreasonable in order to receive performance promised by a full warranty.

A *limited warranty* provides service, repairs, and replacements only under certain conditions. It may or may not cover charges for labor and for returning the item to the manufacturer for repairs.

As you study the warranty for an appliance, check first to see whether it is a full or limited warranty. Does it cover the entire product or only certain parts? Read carefully to find out how long the warranty is in effect on the product or on select parts. Know what you must do to receive warranty servicing and to keep the warranty in effect. Also find out exactly what services the warranty provides. Does it promise repairs or replacement? Who performs the promised service and repair? Will servicing be done in the home, or must the item be returned to the seller, manufacturer, or authorized service center? If it must be returned, who pays for shipping, pick up, and redelivery?

The *service contract* is another item you may be asked to consider when you buy a major appliance. A service contract begins where the warranty ends. For a set fee, the seller guarantees servicing for the appliance if it is needed during the term of the contract.

If you use appliances carefully and buy from reputable manufacturers and dealers, warranty servicing is usually adequate. However, a service contract may be worth considering if:

- You move frequently and will need installations and follow-up services.
- You expect to give an appliance maximum use (as a clothes washer would get in a household of five or more members).
- You expect the appliance to be used (perhaps even abused) by several family members, including children.

When considering a service contract, make sure you find out exactly what you get for the price you pay. Will you get prompt service? Is coverage good if you move or sell the appliance while the contract is in effect? Does the agreement cover parts and labor? What does it exclude? What do you have to do to get service under the terms of the contract?

Appliance servicing

Most appliances require service or repair at some point, and it is generally expensive. You can reduce the need for repairs by buying well-built appliances and using them correctly. Another way to reduce service costs is to take advantage of warranty services to which you are entitled.

Finding a reliable service shop is the key to getting the most for the service dollars you must spend. Look for a service shop that is authorized to work on appliances and that has well-trained service people. The shop should also have an adequate parts inventory so you do not have to wait for parts to be delivered.

Check out charges for repair services in advance, and compare fees of several service shops. Find out which shops provide emergency service, give prompt regular service, and guarantee their work.

Check service shops you are considering with the local Better Business Bureau. If complaints have been filed against a shop you are considering, it may be best to choose another one. Ask friends, neighbors, and appliance dealers for recommendations too. It is a good idea to do your shopping in advance so you know just where to call for prompt, reliable service when you need it.

One sure way to trim costs for appliance repairs is to avoid unnecessary service calls. An estimated 30 percent of all calls for service are unnecessary. Often the appliance is unplugged, not set properly for operation, or not running because of a blown fuse. In most cases when a service person comes to your home, you pay even if there is nothing wrong with the appliance. To avoid unnecessary calls, read the checklist in 11-28 before you dial for service.

HELP WITH COMPLAINTS

The vast majority of appliance manufacturers, dealers, and service people want to satisfy you, the consumer. Even so, there may be times when you have problems with appliances and cannot get the satisfaction you seek. When you have such problems, you can turn to the *Major Appliance Consumer Action Panel (MACAP).* This is a panel of private citizens who help resolve problems between a manufacturer or seller and a consumer. Almost 80 percent of the cases referred to MACAP are settled to the satisfaction of both the company and the consumer. MACAP is sponsored by the Association of Home Appliance Manufacturers, Gas Appliance Manufacturers, and the American Retail Federation.

The *Electronic Industries Association* performs a similar service for people who have problems with TV sets, stereo equipment, and calculators. Organizations that may be helpful for solving problems related to furniture are the *Furniture Industry Consumer Advisory Panel (FICAP)* and the *National Association of Furniture Manufacturers.* The *Carpet and Rug Institute* assists consumers with problems related to rugs and carpets. To find the current addresses of these organizations, look in the *Encyclopedia of Associations* at your library.

THE “BEFORE YOU DIAL FOR SERVICE” CHECKLIST

Is the appliance plugged in and turned on?

Did you check fuses and circuit breakers?

Are water, gas, or electric connections turned on and feeding into the appliance properly?

Are the controls set properly for the job you are doing?

Did you follow all operating instructions?

Did you check the owner's manual for a possible explanation of the difficulty?

Did you check the warranty to see if it covers service or parts that may be required?

Do you have all the data handy to give the service shop—the appliance make, model number, date purchased, and a brief description of the problem?

11-28 You may be able to avoid unnecessary service calls if you read this checklist before you dial for appliance service.

to Know

analogous color scheme
case goods
complementary color scheme
elements of design
EnergyGuide labels
hardwood
hue
intensity
monochromatic color scheme
principles of design
service contract
softwood
solid wood
value
veneered wood

to Review

1. To guide your decorating decisions in the years ahead, what five basic questions should you ask yourself?
2. Name at least six reliable sources of information and ideas on decorating and home furnishings.
3. Which one of the following is not an element of design?
    a. Texture.
    b. Balance.
    c. Line.
    d. Color.
    e. None of the above.
4. True or false. Vertical lines can make rooms and furniture seem wider, lower, or longer.
5. If you decorate with two colors that are exactly opposite each other on the color wheel, you will have a ___________ color scheme.
6. List and describe the five principles of design.
7. What should you consider when arranging furniture?
8. Name six factors you should consider when selecting furniture.
9. Case goods can be made from a variety of woods, plastics, metals, and __________.
10. What is one of the most important construction features to check when buying wood furniture?
11. What largely determines the quality of carpets and rugs?
12. Name at least five questions you should consider before selecting lighting fixtures.
13. When shopping for and comparing prices of different appliances, what factors need to be considered?
14. Why should you consider energy efficiency and operating costs when buying a major appliance?
15. How does a service contract differ from a warranty?

to Discuss

1. How might your life-style influence your decorating choices in future years?
2. What type of color scheme would you use to decorate a living room? What color or colors would you choose?
3. Name several places you can buy furniture. Discuss the advantages and disadvantages of each.
4. What type of furniture would you prefer to buy for your home? How does it compare in price with other types of furniture?
5. What are the most important features to consider when choosing a bed?
6. When you place a rug or carpeting order, why is it important to have a written copy of what you ordered?
7. What major appliances would you most like to have in your home that you don't have now? What small appliances would you like to have that you don't have now? Why do you want or need these appliances? If you had them, how often would you use them?
8. What are some of the important safety practices to follow when using appliances?
9. If you have a valid complaint with an appliance or a home furnishing that does not get solved by the seller or manufacturer, who can you contact for help?

to Do

1. Find pictures in home furnishings magazines that show the five principles of design—proportion, balance, rhythm, emphasis, and harmony—used pleasingly in home decorating. Find at least one picture to illustrate each principle. Display your pictures in class.
2. Develop a plan for furnishing a one-bedroom apartment. Use Chart 11-15 to help you organize your ideas

on paper. In planning, consider the resources you have available and the color, style, and design of furnishings you like. Then visit furniture stores to determine how much money you would need to complete your furnishing plans. Itemize the expenses you would have.

3. As an individual or class, arrange to visit a furniture buyer of a large department store or furniture store. Ask the buyer to explain the features of quality construction. Find out how quality affects the life and price of furniture.

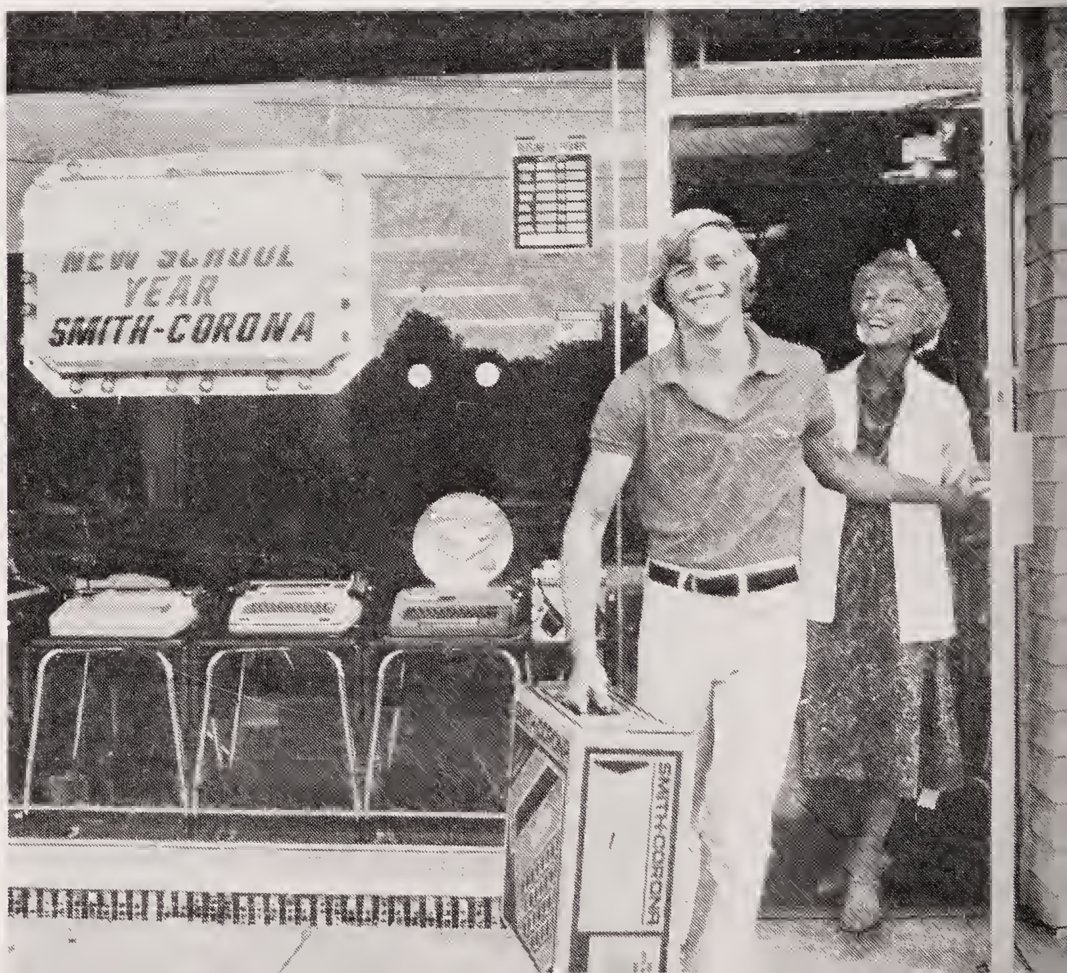
4. Compare features, energy efficiency, warranties, servicing, and prices of at least four different models of the same type of appliance. In a short oral report, tell the class which models you compared. Then explain which particular appliance you would choose for your home and why.

ARMSTRONG FLOORING

The inside of your home should be designed and furnished to satisfy the tastes and interests of your family.

DEPOSITS
PAYMENTS
1
2
4
5
6
7
8
9
0
ENTER
CLEAR
AUTOMATIC
BANKING
CENTER

CONVENIENT
LAYAWAY


NEW SCHOOL
YEAR
SMITH-CORONA
SMITH-CORONA

part
five

Finance

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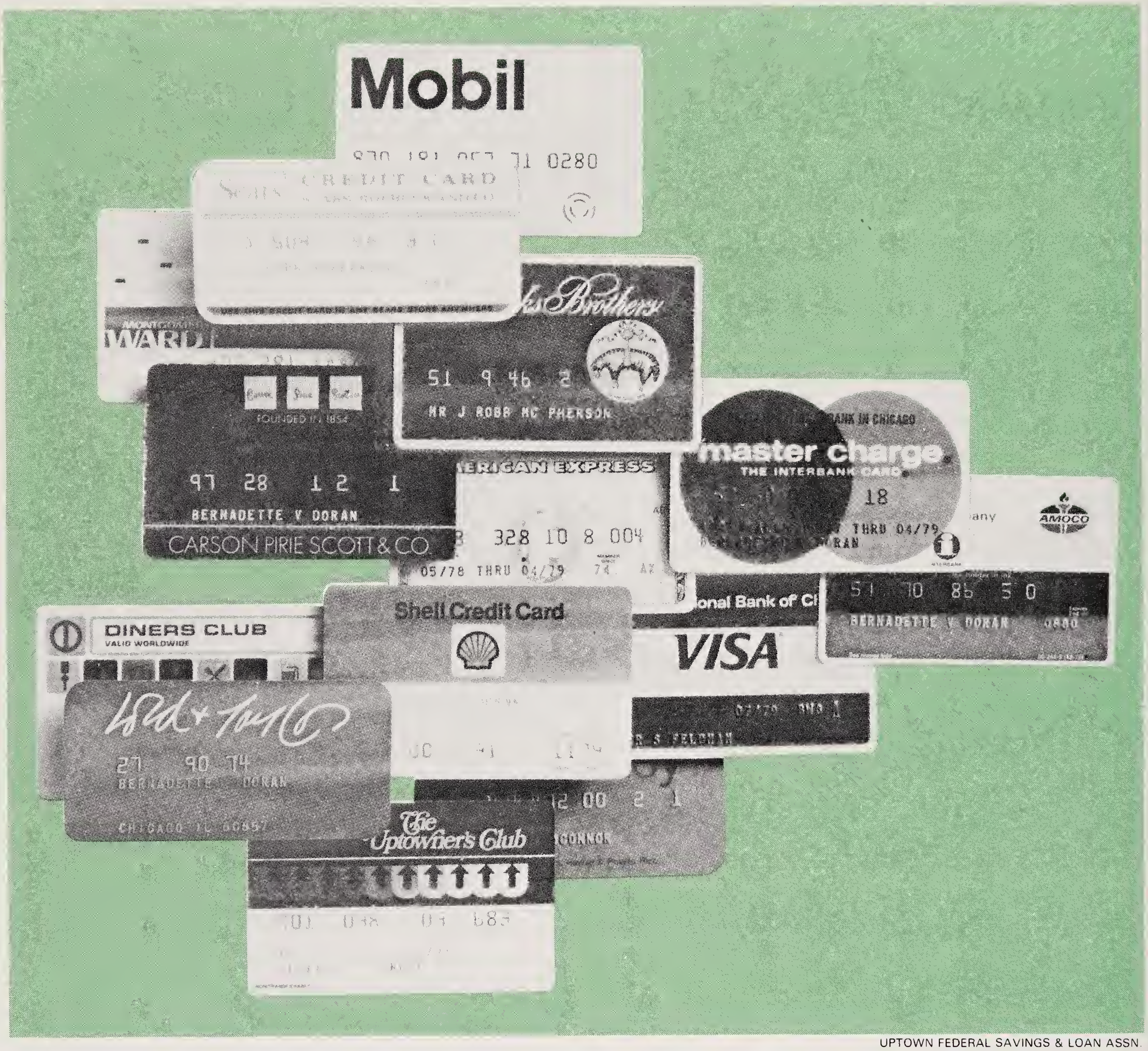

Mobil
CREDIT CARD
WARD
Brooks Brothers
MR J ROBB MC PHERSON
CARSON PIRIE SCOTT & CO
BERNADETTE V DORAN
AMERICAN EXPRESS
master charge
THE INTERBANK CARD
AMOCO
DINERS CLUB
VALID WORLDWIDE
Shell Credit Card
VISA
Lord + Taylor
The Uptowner's Club

UPTOWN FEDERAL SAVINGS & LOAN ASSN.

12

Credit

After studying this chapter, you will be able to:

☐ Identify the different types of consumer credit.

☐ Explain the advantages and disadvantages of using credit.

☐ Describe how to establish a credit rating.

☐ Summarize the laws that govern the use of credit.

☐ Compare credit terms and charges.

The passwords to our credit society are, "Buy now, pay later." People who are good credit risks can charge almost anything. They can use credit for big expenses like vacations, college tuition, and cars. They also can charge smaller items such as meals, clothes, and gasoline for their cars.

Consumer credit does an important job in our economy. It provides the extra buying power needed to support mass production and distribution of goods and services. Therefore, credit helps make more goods and services available at lower prices.

Here is an example to show how consumer credit can help launch a new product. When video recorders first hit the market, prices were high and sales were low. A couple of years later, sales started to climb. Within a five year span, sales increased 700 percent, and prices were cut almost in half.

Most buyers used some form of consumer credit to pay for their video recorders. The use of credit made it possible for more people to buy. The increased consumer demand called for mass production and distribution which lowered unit prices. Manufacturers passed on their savings to consumers in the form of lower sales prices.

Lower prices stimulated even more sales. The industry grew. More people were hired to produce, sell, and service video recorders. New businesses developed to produce, sell, and rent accessories, movies, and tapes for the recorders.

In the case of video recorders, credit stimulated consumer demand and business growth. It helped maintain a healthy balance between supply and demand. Without consumer credit, the video recorder industry would have grown more slowly. Prices would have stayed higher and sales lower. There would have been fewer jobs created and fewer people employed.

On the other hand, the use of too much credit can throw the economy off balance and contribute to inflation. When too much credit is used, demand increases faster than supply. This causes prices to rise and inflation to worsen.

Credit also plays an important role in personal economics. Used carefully and intelligently, credit can help people get more of the things they need when they need them. Misused credit can lead to financial disaster. Therefore, it is important for everyone to learn how to use credit wisely.

UNDERSTANDING CONSUMER CREDIT

What is this thing called credit? It is a medium of exchange similar to cash but with a different time frame. In a cash transaction, you hand over money in exchange for goods or services, and that's the end of it. In a credit transaction, you give your promise to pay later in exchange for goods or services, but that's just the start. When you buy or borrow now and pay later, the transaction is not complete until you pay.

Credit is the present use of future income. *Consumer credit* simply refers to the credit used by consumers for personal needs rather than credit used for business or agriculture. Consumer credit is based on trust. The credit grantor must believe that the credit user can and will pay what is owed, 12-1. That trust applies to everything from a car or home loan to a small loan between friends.

For example, suppose you are eating out with friends. When the bill comes, you find you are short $2.50. You ask a friend to loan you $2.50 until next week when you expect to have more money. If your friend trusts you and can spare the money, you will be able to borrow the $2.50. Although a car loan and a home mortgage are more complicated, they also depend on the trust of creditors in your ability and willingness to pay.

The cost of credit

When you borrow $2.50 from a friend, you probably repay the friend an even $2.50. But if you charge purchases or borrow cash in the marketplace, you usually pay finance charges. You pay these charges because it costs businesses money to grant you credit.

Whether you borrow cash or charge purchases, creditors must have money in order to make credit available to you. Some creditors may not have that money on hand. In that case, they borrow it. When they borrow money, they have to pay finance charges just as you do. Other creditors may have the money on hand to give you credit. But when they use their money to give you credit, they lose the chance to invest it.

Creditors also have the expenses of opening and servicing credit accounts. These include employees, facilities, and materials needed to check credit ratings of consumers, open accounts, send out bills, record payments, and so on. When consumers fail to pay on time or in full, the creditors' costs go up. The expenses of collecting overdue debts and absorbing the losses of unpaid accounts add up quickly. As a result, the price of credit goes up for all consumers, including those who pay on time.

When you apply for credit, the actual amount of finance charges you would pay would depend on three factors. These factors are the amount of credit used, the annual percentage rate, and the length of the repayment period.

The amount of credit used. The more you charge or borrow, the more interest you will pay. For example, the interest on a loan repaid in 12 monthly payments at an annual percentage rate of 18 percent would cost:

$30.00 for a $300 loan.
$50.08 for a $500 loan.
$70.16 for a $700 loan.

The annual percentage rate. The higher the rate of interest is, the more you will pay in finance charges. For example, the interest on a $300 loan repaid in 12 monthly payments would cost:

$30.00 at 18 percent.
$35.16 at 21 percent.
$40.44 at 24 percent.

The length of the repayment period. The more time you take to repay the money you charge or borrow, the more interest you will pay. For example, the interest on a $300 loan at 1.5 percent per month (18 percent per year) would cost:

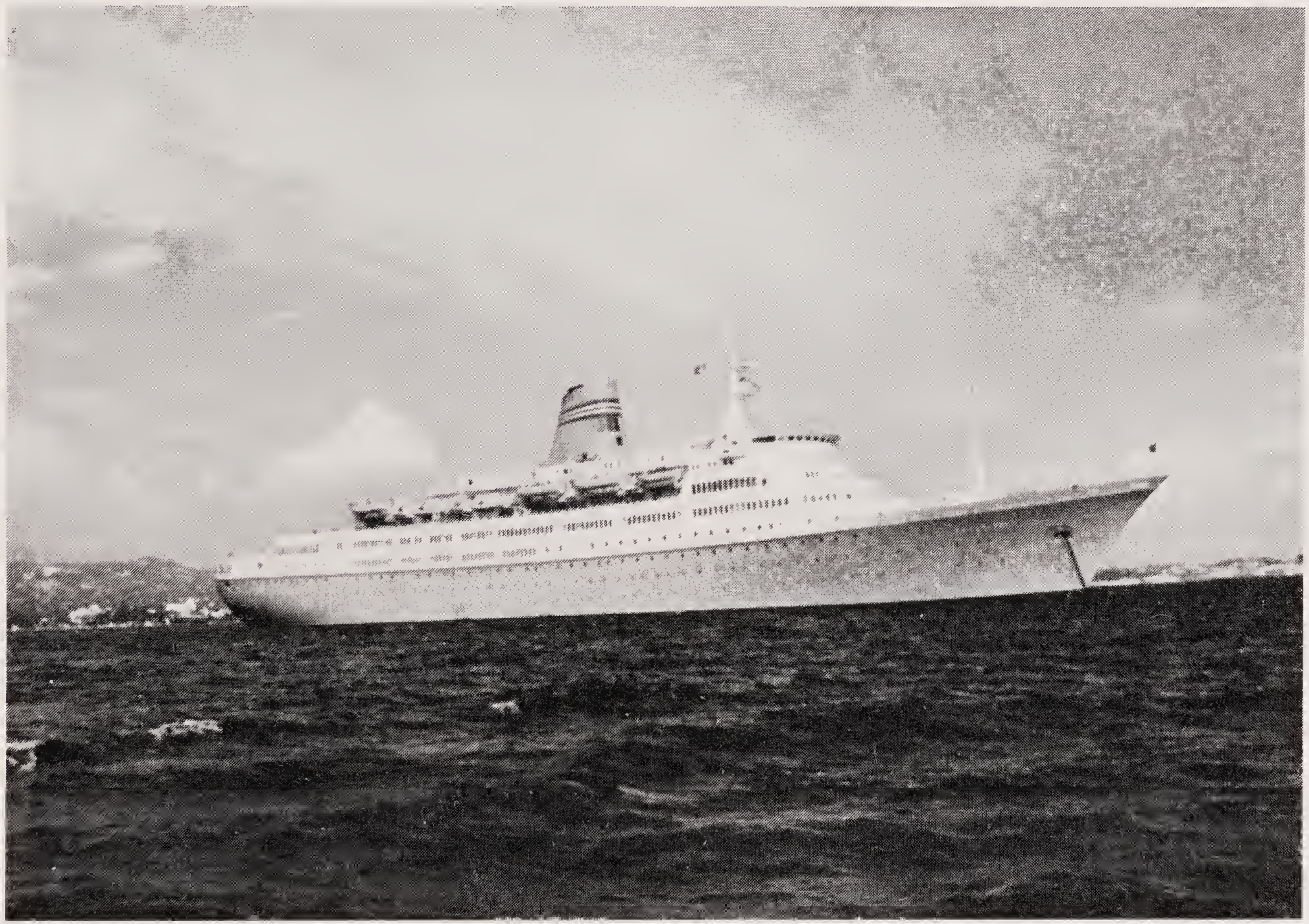
$30.00 if repaid in 12 monthly payments.
$44.66 if repaid in 18 monthly payments.
$59.46 if repaid in 24 monthly payments.

Any time you use credit, it is important to know how much it will cost. Then you will be able to compare finance charges. Since creditors are required to tell consumers the cost of credit, comparing finance charges is easy. Creditors must state finance charges as a *dollar amount* and as an *annual percentage rate*. For example, suppose you want to borrow $600 to repay in 12 monthly payments at a monthly rate of 1.5 percent. Then the creditor must state in writing the dollar cost of credit as $60.12 and the annual percentage rate as 18 percent.

Knowing the exact cost of credit helps you in several ways. It helps you compare finance charges and find the best deal. It helps you decide how much credit you can afford. It also helps you decide if buying now and paying later is worth the extra price.

Pros and cons of credit

What benefits can credit offer you? What risks does credit present? You need to take the time to carefully weigh the advantages and disadvantages of using credit. You may decide



NORWEGIAN AMERICAN CRUISES

12-1 Credit is based on trust. If you borrow money from a bank for a vacation, the bank trusts you to repay the loan.

that credit is good to use in some situations but not in others.

Several advantages and disadvantages of credit are listed below. You may want to add others, depending on the situations you face.

Advantage #1: The use of goods and services as you pay for them. Being able to wear a coat or drive a car as you pay for it can be a big plus. This is a common reason for using credit.

Advantage #2: The opportunity to buy costly items that you might not be able to buy with cash. Many people find it difficult or impossible to save enough in advance to pay for a car, a vacation, or a big medical bill.

Advantage #3: A source of cash for emergency or unexpected expenses. Even the best money managers can be thrown by the unexpected. Credit can offer temporary help.

Advantage #4: Convenience. Credit is the only practical way to pay for telephone and utility services. When used for shopping, credit eliminates the need to carry large amounts of cash. It provides a record of purchases. Also, it usually simplifies exchanges, returns, telephone orders, and mail orders. See 12-2.

Disadvantage #1: The reduction of future income. By using credit, you spend future income and reduce the amount of money you will have to spend later.

Disadvantage #2: Expense. Using credit usually costs money. The more credit you use and the more time you take to repay, the more you will pay in finance charges.

Disadvantage #3: Temptation. Credit makes it easy to spend money you do not have.

Disadvantage #4: The risk of serious consequences if you misuse credit. Failure to pay debts on time and in full can cause serious problems. Items bought with credit could be repossessed. You could go bankrupt. You could lose your right to obtain credit from reputable creditors.

Types of consumer credit

Sales credit and cash credit are the two basic types of consumer credit. *Sales credit* is used to buy goods and services. *Cash credit* is used to borrow money. Each type comes in different forms and from different sources to meet different consumer needs.

Sales credit. This type of credit is granted by retailers and merchants who sell goods and services on credit. It is also granted by banks, credit agencies, and other businesses that issue credit cards to consumers. There are three basic forms of sales credit. They may differ slightly with different creditors and in different states.

The *regular charge account* lets you charge goods and services in exchange for your promise to pay in full within 25 days of the billing date. You receive a bill or statement each month. If you pay on time, there is no finance charge.

The *installment account* lets you charge expensive items like furniture or a stereo system. Then you pay according to a set schedule of monthly payments. Finance charges usually range from 18 to 36 percent annually and are included in the repayment schedule. Normally, the creditor holds title to or "owns" the merchandise until you complete the payments. You usually sign a written contract for each purchase, and you may be asked to make a cash down payment.

The *revolving charge account* offers you a choice of paying in full each month or spreading payments over a period of time. If you pay in full, there is no finance charge. If you choose not to pay in full, there is a finance charge of 1.5 to 1.8 percent per month on the unpaid balance. You must make at least the minimum payment each month. For small balances, the minimum payment is usually a set amount, such as $10. For larger amounts of credit, the minimum payment is usually a percentage of the unpaid balance. A typical revolving charge account places a limit on the amount you may owe at any one time. You may make any number of purchases at any time as long as you do not exceed your credit limit.

Cash credit. This type of credit is granted by financial institutions such as commercial banks, savings and loan associations, credit unions, finance companies, and insurance companies.

A cash loan may be classified as an unsecured loan or a secured loan. For an *unsecured loan,* you just sign a contract promising to repay the loan as stated in the contract. For a *secured loan,* you are required to pledge some kind of property called *collateral.* For an auto loan, the car is collateral. For a mortgage, the house serves as collateral. If you fail to pay as agreed, the creditor may take the property to settle the claim against you. With a secured loan, you may pay lower finance charges. This is because the creditor takes less risk when collateral is pledged.

If you have nothing to pledge as collateral, you still may be able to get a loan if you have a cosigner. A *cosigner* is a responsible person who signs the loan with you. By signing the loan, the cosigner promises to repay the loan if you fail to repay it.

The three basic forms of cash credit are the installment loan, the single payment loan, and the credit card or check credit loan.

The *installment loan* lets you borrow a given amount of money and repay it with interest in regular monthly installments. The finance charges vary with the amount of the loan, the interest rate, and the length of the repayment period. The interest rate may vary depending on the lender and whether or not you pledge collateral.

The *single payment loan* lets you borrow a given amount of money and repay it in a single payment at a given time. The finance charges may be subtracted from the amount you borrow or added to the amount you repay. As a simple example, suppose you borrowed $100 for which you will owe $15 in finance charges. You might be given just $85 and have to repay $100. Or you might be given $100 and have to repay $115. Usually a single payment loan requires collateral. Finance charges vary with the size of the loan, the interest rate, and the repayment period. Interest rates vary with different lenders and with the collateral pledged.

A *credit card* or *check credit loan* lets you borrow up to a set amount by using your credit card or by writing a check which the bank will cover. This type of cash credit involves an agreement between you and the lender on the amount you can borrow and the repayment plan. It works much like a revolving charge account. Finance charges on the unpaid balance normally run 1.5 to 1.8 percent per month.

Credit cards

Credit cards are most often used to make sales credit purchases. Many retailers issue credit cards so consumers can use credit to buy their products. Banks and credit card agencies also issue credit cards. These cards allow consumers to use credit at the many places that participate in the credit plan of the bank or agency issuing the card. Bank credit cards may also be used for cash credit.

Here's how a typical credit card works. Valerie opens a revolving charge account at a local department store. She is issued a credit card. In May, she charges $85 on her credit card. This amount is more than she wants to pay in June when the bill comes. So she decides to pay the minimum payment of $10.

12-2 A credit card is one of the most convenient ways to use credit.

Then during June, she charges another $15 worth of merchandise.

In July, the bill totals $91.13. This includes the $75 unpaid balance from June, a finance charge of $1.13, and the $15 charge for the new purchases. Now Valerie can continue to make minimum payments or pay her account in full.

Since Valerie's credit limit is $400, she can continue to charge merchandise until her unpaid balance reaches that limit. As her unpaid balance goes up, so will the minimum monthly payment.

If a person's credit cards are lost or stolen, the law offers some protection. The credit cardholder is responsible for only $50 in charges per card if the cards are used by someone else. However, if a cardholder notifies the companies that issued the cards before someone else uses them, the cardholder cannot be held responsible for any charges. Therefore, it is wise to report card thefts or losses as soon as possible.

Establishing credit

How do you get credit? You may find it difficult to get credit the first time you try. This is because creditors want evidence that you can and will pay your debts before they grant you credit.

Creditors decide whether or not to grant people credit based on their credit rating. A *credit rating* is the creditor's evaluation of a person's willingness and ability to pay debts. It is measured by the three C's: character, capacity, and capital. *Character* is a person's reputation for honesty. The person who pays bills on time and is capable of assuming financial responsibility will rate high on character. *Capacity* is a person's ability to earn money and pay debts. It is measured by a person's earning power and employment history. *Capital* is a person's financial worth. People with land, a home, cars, savings, or anything of value have capital. Capital gives a person a more favorable credit rating.

When you apply for credit, you must fill out a credit application form like the one in 12-3. This form helps creditors evaluate your financial standing and credit rating.

If you have never bought anything on credit, you will need to establish a credit rating from scratch. Here are some steps you can take to build a sound financial reputation.

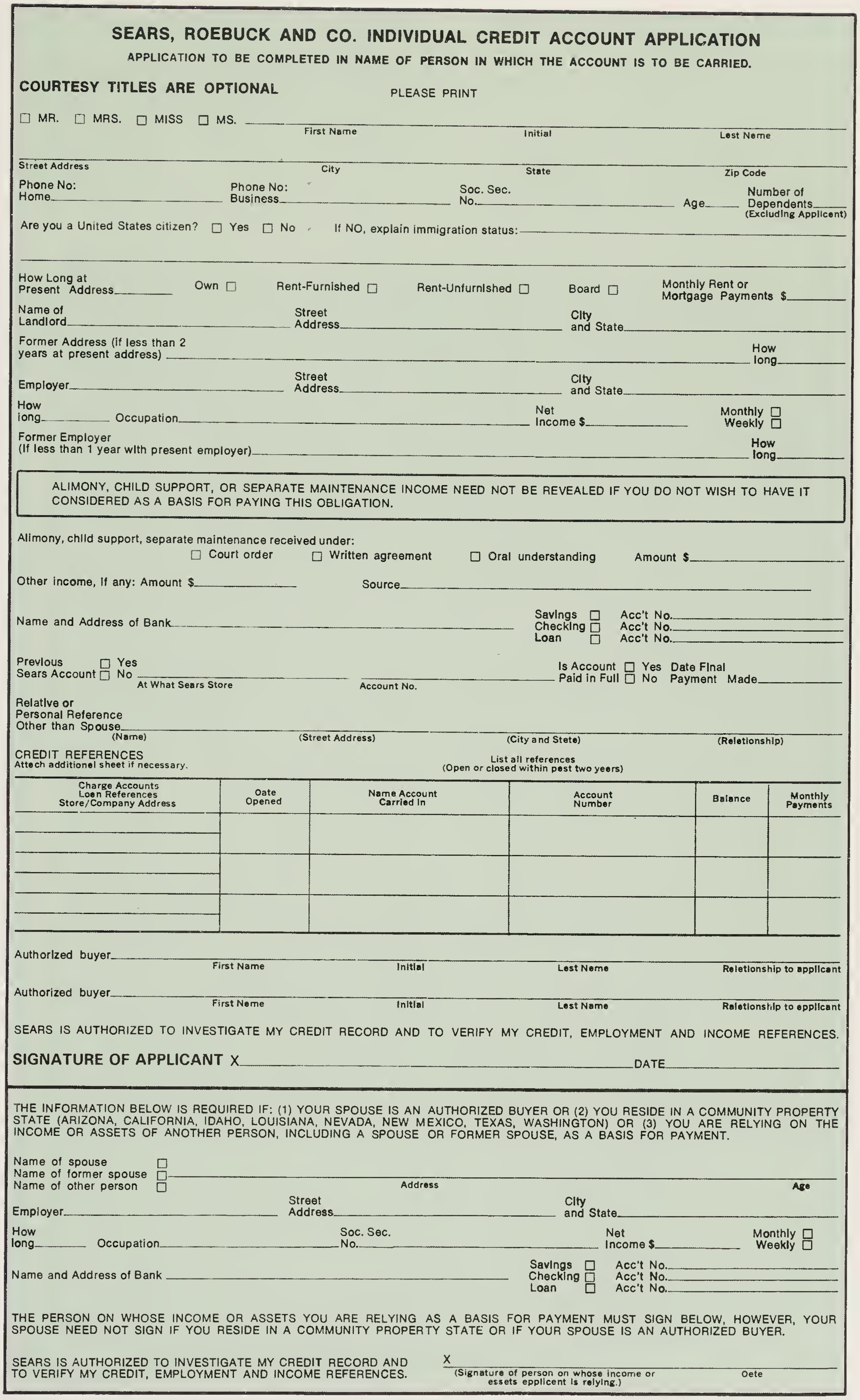
1. Start with a job. Prove that you can hold a job and earn money.
2. Open a savings account and save regularly. A savings record shows a responsible attitude toward financial matters. Your savings also may serve as collateral for a loan.
3. Open a checking account and manage it carefully. A well-managed checking account shows you have the experience and ability to handle money.
4. Buy something on a layaway plan. Some stores will give charge accounts to customers who have successfully handled layaway purchases, 12-4.
5. Apply to a local department store or a gasoline company for a credit card. If you are granted credit, make small purchases. Then pay promptly when the bills come.

Once you use credit, you automatically establish a credit record at the local *credit reporting agency*. These agencies, often called credit bureaus, keep records on individual consumers. Your file at the credit reporting agency will tell about your income, employment history, financial worth, and record of paying debts. If you make late payments or fail to pay, this will be noted on your record.

The information in credit records is valuable to companies who grant credit. Your credit record largely determines whether you will be granted credit and how much you will be granted. With a poor record, you will have trouble getting credit and may have to pay higher finance charges.

To maintain a high credit rating:

- Use only as much credit as you can repay without difficulty.
- Meet all the terms of credit contracts and agreements.
- Pay bills promptly.
- Keep accurate records of charges, statements, and payments.



SEARS, ROEBUCK AND CO. INDIVIDUAL CREDIT ACCOUNT APPLICATION

APPLICATION TO BE COMPLETED IN NAME OF PERSON IN WHICH THE ACCOUNT IS TO BE CARRIED.

COURTESY TITLES ARE OPTIONAL PLEASE PRINT

☐ MR. ☐ MRS. ☐ MISS ☐ MS. ____ First Name ____ Initial ____ Last Name

____ Street Address ____ City ____ State ____ Zip Code

Phone No: Home____ Phone No: Business____ Soc. Sec. No.____ Age____ Number of Dependents____ (Excluding Applicant)

Are you a United States citizen? ☐ Yes ☐ No If NO, explain immigration status:____

How Long at Present Address____ Own ☐ Rent-Furnished ☐ Rent-Unfurnished ☐ Board ☐ Monthly Rent or Mortgage Payments $____

Name of Landlord____ Street Address____ City and State____

Former Address (if less than 2 years at present address) ____ How long____

Employer____ Street Address____ City and State____

How long____ Occupation____ Net Income $____ Monthly ☐ Weekly ☐

Former Employer (If less than 1 year with present employer)____ How long____

ALIMONY, CHILD SUPPORT, OR SEPARATE MAINTENANCE INCOME NEED NOT BE REVEALED IF YOU DO NOT WISH TO HAVE IT CONSIDERED AS A BASIS FOR PAYING THIS OBLIGATION.

Alimony, child support, separate maintenance received under:
☐ Court order ☐ Written agreement ☐ Oral understanding Amount $____

Other income, if any: Amount $____ Source____

Name and Address of Bank____
Savings ☐ Acc't No.____
Checking ☐ Acc't No.____
Loan ☐ Acc't No.____

Previous Sears Account ☐ Yes ☐ No ____ At What Sears Store ____ Account No. Is Account Paid in Full ☐ Yes ☐ No Date Final Payment Made____

Relative or Personal Reference Other than Spouse____ (Name) (Street Address) (City and State) (Relationship)

CREDIT REFERENCES
Attach additional sheet if necessary.

List all references
(Open or closed within past two years)

Charge Accounts Loan References Store/Company Address	Date Opened	Name Account Carried In	Account Number	Balance	Monthly Payments

Authorized buyer____ First Name ____ Initial ____ Last Name ____ Relationship to applicant

Authorized buyer____ First Name ____ Initial ____ Last Name ____ Relationship to applicant

SEARS IS AUTHORIZED TO INVESTIGATE MY CREDIT RECORD AND TO VERIFY MY CREDIT, EMPLOYMENT AND INCOME REFERENCES.

SIGNATURE OF APPLICANT X____ DATE____

THE INFORMATION BELOW IS REQUIRED IF: (1) YOUR SPOUSE IS AN AUTHORIZED BUYER OR (2) YOU RESIDE IN A COMMUNITY PROPERTY STATE (ARIZONA, CALIFORNIA, IDAHO, LOUISIANA, NEVADA, NEW MEXICO, TEXAS, WASHINGTON) OR (3) YOU ARE RELYING ON THE INCOME OR ASSETS OF ANOTHER PERSON, INCLUDING A SPOUSE OR FORMER SPOUSE, AS A BASIS FOR PAYMENT.

Name of spouse ☐
Name of former spouse ☐ ____ Address ____ Age
Name of other person ☐

Employer____ Street Address____ City and State____

How long____ Occupation____ Soc. Sec. No.____ Net Income $____ Monthly ☐ Weekly ☐

Name and Address of Bank ____
Savings ☐ Acc't No.____
Checking ☐ Acc't No.____
Loan ☐ Acc't No.____

THE PERSON ON WHOSE INCOME OR ASSETS YOU ARE RELYING AS A BASIS FOR PAYMENT MUST SIGN BELOW, HOWEVER, YOUR SPOUSE NEED NOT SIGN IF YOU RESIDE IN A COMMUNITY PROPERTY STATE OR IF YOUR SPOUSE IS AN AUTHORIZED BUYER.

SEARS IS AUTHORIZED TO INVESTIGATE MY CREDIT RECORD AND TO VERIFY MY CREDIT, EMPLOYMENT AND INCOME REFERENCES.

X____ (Signature of person on whose income or assets applicant is relying.) Date

12-3 A credit application form helps creditors decide if a person will be a good credit risk.

- Consult creditors without delay if you cannot pay on time as agreed.
- Resolve billing errors promptly.

Credit contracts and agreements

Using credit involves certain responsibilities for you and the creditor. These responsibilities are spelled out in credit contracts and agreements, 12-5. The terms outlined in a written agreement are legally binding. They can be enforced in courts of law if you or the creditor fail to carry out the terms of the contract. This is why it is very important for you to understand exactly what you are agreeing to do before you sign any contract.

Always read a contract thoroughly. Be sure all blank spaces have been filled in. Nothing should be left to be filled in later. Make sure the annual percentage rate and the dollar cost are stated clearly and accurately.

Read to find out what action the creditor can take if you pay late or fail to make a payment. Also find out if you can make advance payments on a loan. If you can, check to see if part of the finance charges will be refunded.

CONSUMER CREDIT LEGISLATION

To help consumers and creditors meet their credit responsibilities, consumer credit laws have been passed. These laws also help protect consumers from disreputable creditors.

Truth in Lending Law. This law requires creditors to tell consumers what credit will cost them before they use it. Under this law, credit contracts must state:

- The finance charges as a dollar amount and as an annual percentage rate.
- The billing procedures.
- The penalties for default, late payment, or prepayment.

Creditors are also required to send debtors regular statements to show the unpaid balances of their accounts and any finance charges that have been made, 12-6.

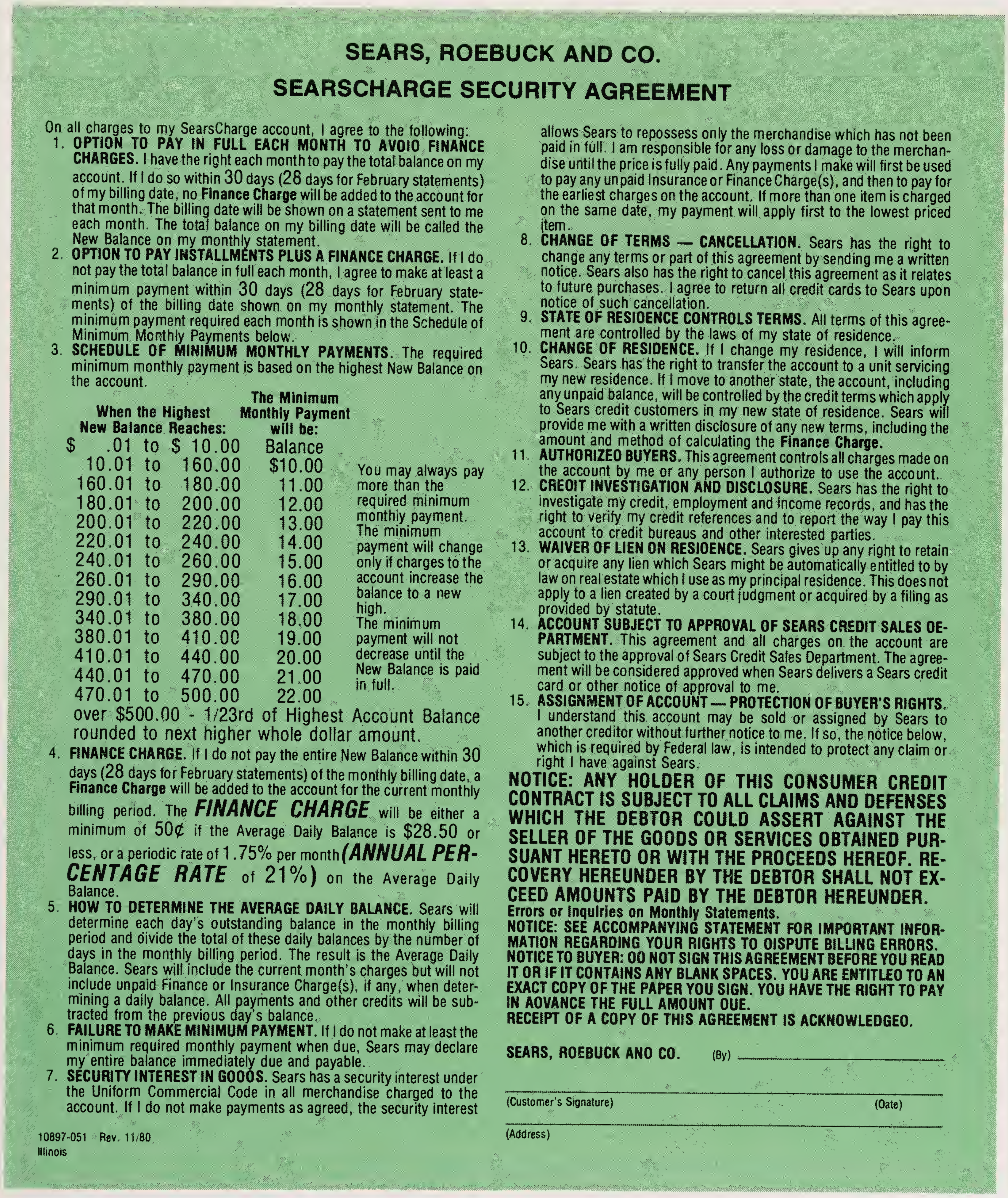
Equal Credit Opportunity Act. This act protects consumers from discrimination because of marital status, race, religion, or age when they apply for credit. Creditors may ask about alimony and child support only if these payments may affect a person's ability

CONVENIENT
LAYAWAY

12-4 Handling a layaway purchase may help you establish credit with a store.

to pay debts. Therefore, credit can be denied only for financial reasons. A person who is denied credit has the right to demand from the creditor a written explanation of why credit was denied.

Fair Credit Reporting Act. This act protects consumers against false or misleading information in their files at credit reporting agencies. If a person is refused credit because of information supplied by a credit reporting



SEARS, ROEBUCK AND CO.

SEARSCHARGE SECURITY AGREEMENT

On all charges to my SearsCharge account, I agree to the following:

1. **OPTION TO PAY IN FULL EACH MONTH TO AVOID FINANCE CHARGES.** I have the right each month to pay the total balance on my account. If I do so within 30 days (28 days for February statements) of my billing date, no **Finance Charge** will be added to the account for that month. The billing date will be shown on a statement sent to me each month. The total balance on my billing date will be called the New Balance on my monthly statement.
2. **OPTION TO PAY INSTALLMENTS PLUS A FINANCE CHARGE.** If I do not pay the total balance in full each month, I agree to make at least a minimum payment within 30 days (28 days for February statements) of the billing date shown on my monthly statement. The minimum payment required each month is shown in the Schedule of Minimum Monthly Payments below.
3. **SCHEDULE OF MINIMUM MONTHLY PAYMENTS.** The required minimum monthly payment is based on the highest New Balance on the account.

When the Highest New Balance Reaches:	The Minimum Monthly Payment will be:
$ .01 to $ 10.00	Balance
10.01 to 160.00	$10.00
160.01 to 180.00	11.00
180.01 to 200.00	12.00
200.01 to 220.00	13.00
220.01 to 240.00	14.00
240.01 to 260.00	15.00
260.01 to 290.00	16.00
290.01 to 340.00	17.00
340.01 to 380.00	18.00
380.01 to 410.00	19.00
410.01 to 440.00	20.00
440.01 to 470.00	21.00
470.01 to 500.00	22.00

You may always pay more than the required minimum monthly payment. The minimum payment will change only if charges to the account increase the balance to a new high. The minimum payment will not decrease until the New Balance is paid in full.

over $500.00 - 1/23rd of Highest Account Balance rounded to next higher whole dollar amount.

4. **FINANCE CHARGE.** If I do not pay the entire New Balance within 30 days (28 days for February statements) of the monthly billing date, a **Finance Charge** will be added to the account for the current monthly billing period. The ***FINANCE CHARGE*** will be either a minimum of 50¢ if the Average Daily Balance is $28.50 or less, or a periodic rate of 1.75% per month ***(ANNUAL PERCENTAGE RATE*** of 21%**)** on the Average Daily Balance.
5. **HOW TO DETERMINE THE AVERAGE DAILY BALANCE.** Sears will determine each day's outstanding balance in the monthly billing period and divide the total of these daily balances by the number of days in the monthly billing period. The result is the Average Daily Balance. Sears will include the current month's charges but will not include unpaid Finance or Insurance Charge(s), if any, when determining a daily balance. All payments and other credits will be subtracted from the previous day's balance.
6. **FAILURE TO MAKE MINIMUM PAYMENT.** If I do not make at least the minimum required monthly payment when due, Sears may declare my entire balance immediately due and payable.
7. **SECURITY INTEREST IN GOODS.** Sears has a security interest under the Uniform Commercial Code in all merchandise charged to the account. If I do not make payments as agreed, the security interest allows Sears to repossess only the merchandise which has not been paid in full. I am responsible for any loss or damage to the merchandise until the price is fully paid. Any payments I make will first be used to pay any unpaid Insurance or Finance Charge(s), and then to pay for the earliest charges on the account. If more than one item is charged on the same date, my payment will apply first to the lowest priced item.
8. **CHANGE OF TERMS — CANCELLATION.** Sears has the right to change any terms or part of this agreement by sending me a written notice. Sears also has the right to cancel this agreement as it relates to future purchases. I agree to return all credit cards to Sears upon notice of such cancellation.
9. **STATE OF RESIDENCE CONTROLS TERMS.** All terms of this agreement are controlled by the laws of my state of residence.
10. **CHANGE OF RESIDENCE.** If I change my residence, I will inform Sears. Sears has the right to transfer the account to a unit servicing my new residence. If I move to another state, the account, including any unpaid balance, will be controlled by the credit terms which apply to Sears credit customers in my new state of residence. Sears will provide me with a written disclosure of any new terms, including the amount and method of calculating the **Finance Charge.**
11. **AUTHORIZED BUYERS.** This agreement controls all charges made on the account by me or any person I authorize to use the account.
12. **CREDIT INVESTIGATION AND DISCLOSURE.** Sears has the right to investigate my credit, employment and income records, and has the right to verify my credit references and to report the way I pay this account to credit bureaus and other interested parties.
13. **WAIVER OF LIEN ON RESIDENCE.** Sears gives up any right to retain or acquire any lien which Sears might be automatically entitled to by law on real estate which I use as my principal residence. This does not apply to a lien created by a court judgment or acquired by a filing as provided by statute.
14. **ACCOUNT SUBJECT TO APPROVAL OF SEARS CREDIT SALES DEPARTMENT.** This agreement and all charges on the account are subject to the approval of Sears Credit Sales Department. The agreement will be considered approved when Sears delivers a Sears credit card or other notice of approval to me.
15. **ASSIGNMENT OF ACCOUNT — PROTECTION OF BUYER'S RIGHTS.** I understand this account may be sold or assigned by Sears to another creditor without further notice to me. If so, the notice below, which is required by Federal law, is intended to protect any claim or right I have against Sears.

NOTICE: ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF THE GOODS OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER.

Errors or Inquiries on Monthly Statements.

NOTICE: SEE ACCOMPANYING STATEMENT FOR IMPORTANT INFORMATION REGARDING YOUR RIGHTS TO DISPUTE BILLING ERRORS.

NOTICE TO BUYER: DO NOT SIGN THIS AGREEMENT BEFORE YOU READ IT OR IF IT CONTAINS ANY BLANK SPACES. YOU ARE ENTITLED TO AN EXACT COPY OF THE PAPER YOU SIGN. YOU HAVE THE RIGHT TO PAY IN ADVANCE THE FULL AMOUNT DUE.

RECEIPT OF A COPY OF THIS AGREEMENT IS ACKNOWLEDGED.

SEARS, ROEBUCK AND CO. (By) ____________________

____________________ (Customer's Signature) (Date)

____________________ (Address)

10897-051 Rev. 11/80
Illinois

12-5 This is a typical credit agreement for a revolving charge account. It states the responsibilities of the credit user and credit grantor.

agency, this act will give that person the following rights:

- To find out from the creditor what agency gave the bad report about you.
- To find out from the agency what information is in your file, where the agency got the information, and to whom the agency has given the information.
- To require the agency to recheck the information you say is false.
- To demand a corrected report if errors are found.
- To require the corrected report to be sent to all creditors who received false information about you.

Fair Credit Billing Act. This act explains how consumers and creditors must settle billing disputes. The primary purpose of this act is to protect consumers against unfair billing practices. These are the major rules:

- When a consumer believes a bill contains an error, the consumer must send a written notice to the creditor within 60 days after the bill was mailed.
- Creditors must answer written inquiries or notices of error within 30 days.
- Creditors must correct mistakes without charge to the debtor.
- Creditors may take no collection action on amounts in question until billing disputes are resolved. However, amounts not in question must be paid by the debtor.

Fair Debt Collection Practices Act. This act protects consumers against unfair methods of collecting debts. Under this act, debt collectors may not:

- Reveal or publicize a debtor's debt to other people.
- Contact debtors at inconvenient times (before 8:00 a.m. or after 9:00 p.m.) or places (such as work).
- Use threats or abusive language.
- Make annoying, repeated, or anonymous phone calls.
- Make false or misleading statements about the collector's identity or the consequences of nonpayment.
- Collect unauthorized fees or charge debtors for calls and telegrams.

Preservation of Consumers' Claims and Defenses Ruling. This ruling was issued by the Federal Trade Commission. It protects a debtor from being forced to pay a creditor for goods and services when the debtor has a legitimate dispute with the seller of those goods or services.

This ruling greatly limits the "holder-in-due-course doctrine." That doctrine says the holder of a consumer contract has a right to collect a debt regardless of any unfair practices on the part of the seller.

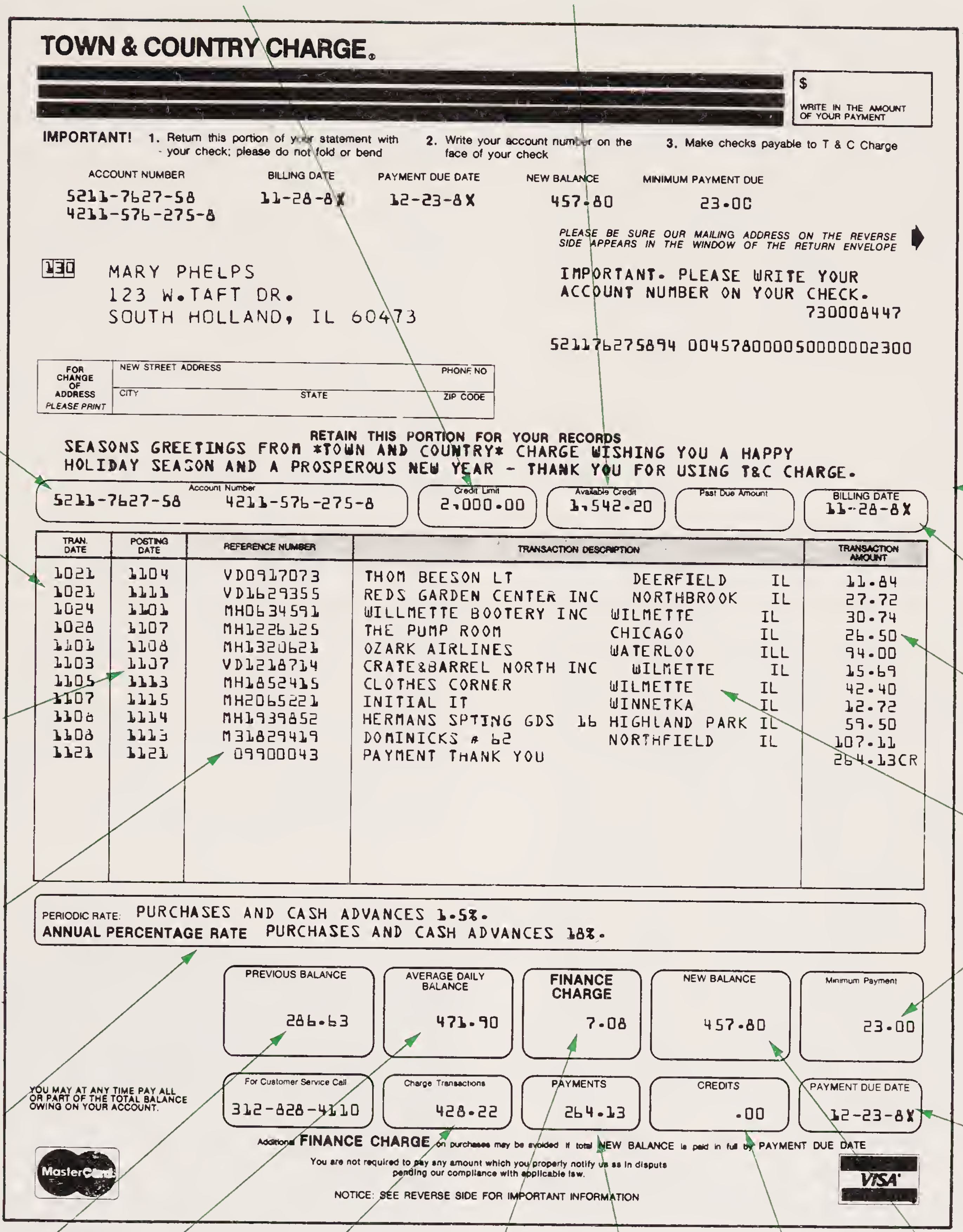
Here is an example to show how the Preservation of Consumers' Claims and Defenses Ruling protects you. Suppose you buy a $500 color television from the Viewing Center. You sign an installment contract calling for 18 monthly payments. The Viewing Center sells your contract to a sales finance company. Now you owe the finance company rather than the seller.

After the television is delivered, you find that it does not work right. You can get sound but no picture. When you complain, the seller refuses to correct the problem. You threaten nonpayment. The seller says that's not the Viewing Center's problem because you owe the finance company.

You complain to the finance company, but they tell you the television is the seller's responsibility. Legally, you owe the finance company regardless of the seller's performance. However, the Preservation of Consumers' Claims and Defenses Ruling protects you in this type of situation. Under the ruling, you have a right to a legal defense in court if you decide not to pay a creditor because you have been cheated by a seller.

MANAGING YOUR CREDIT POWER

Credit can make it possible for you to spend more than you earn—temporarily. With careful planning, credit can help you get more of the things you want when you want them. Without planning, credit can create serious, long-lasting financial and legal problems. To make the most of your credit power, you need to know when to use credit and how to compare credit terms and charges.



TOWN & COUNTRY CHARGE.

$

WRITE IN THE AMOUNT OF YOUR PAYMENT

IMPORTANT! 1. Return this portion of your statement with your check; please do not fold or bend 2. Write your account number on the face of your check 3. Make checks payable to T & C Charge

ACCOUNT NUMBER	BILLING DATE	PAYMENT DUE DATE	NEW BALANCE	MINIMUM PAYMENT DUE
5211-7627-58 4211-576-275-8	11-28-8X	12-23-8X	457.80	23.00

PLEASE BE SURE OUR MAILING ADDRESS ON THE REVERSE SIDE APPEARS IN THE WINDOW OF THE RETURN ENVELOPE

130 MARY PHELPS
123 W.TAFT DR.
SOUTH HOLLAND, IL 60473

IMPORTANT. PLEASE WRITE YOUR ACCOUNT NUMBER ON YOUR CHECK.
730008447

521176275894 00457800005000002300

FOR CHANGE OF ADDRESS PLEASE PRINT	NEW STREET ADDRESS		PHONE NO
	CITY	STATE	ZIP CODE

RETAIN THIS PORTION FOR YOUR RECORDS

SEASONS GREETINGS FROM *TOWN AND COUNTRY* CHARGE WISHING YOU A HAPPY HOLIDAY SEASON AND A PROSPEROUS NEW YEAR - THANK YOU FOR USING T&C CHARGE.

Account Number	Credit Limit	Available Credit	Past Due Amount	BILLING DATE
5211-7627-58 4211-576-275-8	2,000.00	1,542.20		11-28-8X

TRAN. DATE	POSTING DATE	REFERENCE NUMBER	TRANSACTION DESCRIPTION	TRANSACTION AMOUNT
1021	1104	VD0917073	THOM BEESON LT DEERFIELD IL	11.84
1021	1111	VD1629355	REDS GARDEN CENTER INC NORTHBROOK IL	27.72
1024	1101	MH0634591	WILLMETTE BOOTERY INC WILMETTE IL	30.74
1028	1107	MH1226125	THE PUMP ROOM CHICAGO IL	26.50
1101	1108	MH1320621	OZARK AIRLINES WATERLOO ILL	94.00
1103	1107	VD1218714	CRATE&BARREL NORTH INC WILMETTE IL	15.69
1105	1113	MH1852415	CLOTHES CORNER WILMETTE IL	42.40
1107	1115	MH2065221	INITIAL IT WINNETKA IL	12.72
1108	1114	MH1939852	HERMANS SPTING GDS 16 HIGHLAND PARK IL	59.50
1108	1113	M31829419	DOMINICKS # 62 NORTHFIELD IL	107.11
1121	1121	09900043	PAYMENT THANK YOU	264.13CR

PERIODIC RATE: PURCHASES AND CASH ADVANCES 1.5%.
ANNUAL PERCENTAGE RATE PURCHASES AND CASH ADVANCES 18%.

PREVIOUS BALANCE	AVERAGE DAILY BALANCE	FINANCE CHARGE	NEW BALANCE	Minimum Payment
286.63	471.90	7.08	457.80	23.00

YOU MAY AT ANY TIME PAY ALL OR PART OF THE TOTAL BALANCE OWING ON YOUR ACCOUNT.

For Customer Service Call	Charge Transactions	PAYMENTS	CREDITS	PAYMENT DUE DATE
312-828-4110	428.22	264.13	.00	12-23-8X

Additional **FINANCE CHARGE** on purchases may be avoided if total NEW BALANCE is paid in full by PAYMENT DUE DATE

You are not required to pay any amount which you properly notify us as in dispute pending our compliance with applicable law.

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION

The total amount you can charge to your account.

The amount of credit available in your account.

The portion of the statement to be returned with your payment.

Account number or numbers.

The date each transaction was made.

The date the statement was prepared.

Amount charged to your account.

The date each transaction was posted.

The place the transaction took place.

A number that describes the transaction that was made.

The minimum payment that must be paid.

The annual percentage rate charged on your account if the total balance is not paid in full each month.

The date by which you must pay the minimum payment or, if you want to avoid finance charges, the new balance.

The balance remaining at the beginning of the current billing period.

Total amount of charges made during the billing period.

Total amount of payments made during the billing period.

Balance remaining at the end of the current billing period.

The total of each day's outstanding balance in the monthly billing period divided by the number of days in the monthly billing period.

The amount of charges added to your account.

Total amount of credits added to your account during the billing period.

12-6 This is a sample monthly statement with an explanation of the information you can expect to find on it.

When to use credit

A close look at your financial personality can help you decide when and if you can use credit safely. Your financial personality is a combination of your financial attitudes and spending patterns. You express your financial personality by the way you handle money.

Financial personalities vary greatly. Some people spend money freely. Others find it hard to part with a dollar. Some think through each purchase while others buy on impulse. What are your money attitudes and habits? If you can answer "yes" to most of the questions in the next paragraph, you probably will be a safe credit user.

Do you find it easy to control spending? Do you save regularly? Do you follow a spending plan? Do you consider purchases carefully? Do you pay debts promptly? Do you buy only what you can afford? Do you make long-range financial plans? Do you know where you stand financially? Do you handle financial matters with confidence? Do you see credit as a tool to use with care and caution?

People use credit for many different reasons. Credit may be used wisely when it is used:

- To buy expensive items you need right away, 12-7.
- To take advantage of sale prices on goods or services you need when you don't have enough cash at sale time.
- To make a purchase that is part of a long-range financial plan such as getting an education, furnishing an apartment, or buying a car.
- To meet emergency needs or see you through temporary cash shortages.

However, credit is often used for the wrong reasons:

- To buy what you really cannot afford.
- To buy what you could easily do without or postpone buying.
- To buy on impulse something you either would not or could not buy with cash.
- To live beyond your income.

Usually you have three alternatives to using credit. You may choose not to buy. You may pay with your savings. Or you may postpone buying, save your money, and buy later. The choice you make will depend on what you want to buy and what you want to achieve with credit. Here are some questions to help you evaluate your choices.

How important is it for you to make the purchase? If you can do without something, you might be wise not to buy it. Having what you want when you want it is not always worth the price you pay for credit.

Are you willing to reduce or eliminate your savings to make the purchase? Unless you have planned to use your savings to make the purchase, reducing or eliminating your savings could be risky. Often it is difficult to replace savings you use for unplanned purchases. Using your savings may leave you unprepared for unexpected emergencies or financial difficulties.

Can you save your money and buy later? This will depend on how long you can wait to make the purchase. It will also depend on your ability to save money. Many people find it easier to make monthly payments than to put money in savings.

NEW SCHOOL
YEAR
SMITH-CORONA

SCM CORP.

12-7 Thanks to credit, this young man was able to buy a typewriter he needs for college. He will pay for it with the money he earns from a part-time job.

By waiting and saving, you may not get as much satisfaction or pleasure from having what you want now. For example, suppose you want to take a vacation with friends. They are leaving next month for a week at an ocean resort. According to your savings plan, you need three more months to save enough money for the trip. But if you wait three months, you won't be able to share the vacation with your friends. In this case, you may decide to use credit to help you finance the vacation.

On the other hand, waiting may help you get more satisfaction from a purchase. Suppose you want to buy a pool table. You want it now, but you don't have enough money. You also aren't sure what type of pool table you want. You decide to wait and save. As you are saving, you do some comparison shopping. You find out what features you want and where you can get the best deal. When you finally buy the pool table, your satisfaction is greater than if you had rushed out to buy it immediately with credit. The waiting period has made the purchase more valuable to you.

How to shop for credit

Shopping for credit is as important as shopping for the goods and services you buy with it. Ed's experience will show you why.

Ed wanted to buy a motorcycle. Since this was going to be his first big purchase, Ed was determined to find the best bike at the best price. He had already saved enough money for a down payment. He planned to pay the rest in monthly payments.

Ed shopped at every cycle shop in the area and investigated the want ads in local newspapers. In a few weeks, Ed decided what model he wanted. Then he went to the dealer who had offered him the lowest price for that model. Ed paid the down payment, and the dealer started figuring the monthly payments and credit terms. Here's how the deal looked on paper.

Cash price of the motorcycle	$1250.00
Down payment	150.00
Amount financed	1100.00
Finance charge	458.81
Monthly payment (for 24 months)	64.95
Total paid	$1708.81
Annual percentage rate	36%

Ed had not expected the credit to cost so much, but he had gotten a good price on the bike. He rode away on his new bike feeling great until he ran into his friend Tammy. As Tammy admired the new cycle, she asked Ed where he had bought it. Ed told her what a good deal he had gotten. But when Ed mentioned the credit charges, Tammy shook her head.

Tammy had learned all about credit the year before when she had bought a used car. She explained to Ed how credit charges differ from lender to lender. She told him that the credit charges might have been much lower at other places. She certainly was right. Chart 12-8 shows the credit charges from three other

COMPARING SOURCES FOR AN $1100 LOAN

	Source 1	Source 2	Source 3
Finance Charge	$218.02	$295.79	$367.09
Monthly Payment	54.92	58.16	61.50
Annual Percentage Rate	18%	24%	30%
Total Paid	$1468.02	$1545.79	$1626.09

12-8 As Ed found out, credit charges vary from source to source. It pays to shop around before you strike a deal.

credit sources for an $1100 loan financed over a 24-month period. Failing to shop for credit was an expensive lesson for Ed. He could have saved over $200 with a different lender.

When you want to use credit to finance a purchase, shop around for the best credit terms. Be sure to compare the three basic variables in credit costs: the size of the loan, the annual percentage rate, and the length of the repayment period. It also pays to compare the total cost of an item, including finance charges, to be sure you are getting the best deal. Sellers with low prices on merchandise can more than make up the difference with high finance charges.

Other important factors to consider include:

- Collateral required, if any.
- Charges for late payment.
- Penalties or rebates for prepayment.
- Reputation of the creditor.
- Convenience in getting credit and making payments.

Credit problems

If used unwisely, credit can lead you into financial trouble. Since many credit problems result from poor money management, the development of good management skills can help you avoid serious financial problems.

The quicker you realize you are having financial problems, the quicker the problems can be corrected. Chart 12-9 lists some of the danger signals that warn credit users of trouble ahead.

If you have trouble paying your bills, notify creditors promptly. If creditors know you are having difficulty making payments, they may delay payments for a period of time. Or they may be willing to extend your repayment schedules to decrease the size of your monthly payments. Not all creditors will delay payments or extend repayment periods. In such cases you would probably need to ask a financial institution for a debt consolidation loan. This is one loan large enough to pay existing debts. It is written with a long repayment schedule and reduces the amount of monthly payments.

With a sound financial spending and savings plan, some people can correct their own financial problems. However, when financial problems get out of control, outside help is needed.

Credit counseling. One source of help for credit problems is credit counseling, 12-10. The National Foundation for Consumer Credit sponsors over 200 credit counseling services throughout the United States and Canada. The services are nonprofit organizations that advise and help debt-troubled individuals and families. The credit counseling services, with the support of local mechants and financial institutions, offer aid in two forms.

The service helps a debtor with a stable income work out a financial program for repaying debts. The service also helps the debtor plan and control current expenses to avoid further debts.

When debtors are very deep in debt, the counseling service offers another alternative. It tries to arrange new repayment plans with creditors. If successful, the debtor gives the counseling service a set amount from each paycheck, and the service pays the creditors.

Credit counseling services of this type help about five out of every six applicants. Debtors

CREDIT DANGER SIGNALS

Stalling one creditor to pay another.

Receiving past-due notices in credit billing statements.

Failing to save even a little money each month.

Charging more each month than you make in payments on your accounts.

Taking longer and longer to pay off credit account balances.

Running out of money before payday.

Using credit card cash advances to cover everyday living expenses or to make payments on credit card accounts.

BANK OF AMERICA

12-9 Beware of these danger signals when using credit.

pay little or nothing for the help they receive. These nonprofit credit counseling services should not be confused with debt pooling or debt adjusting businesses that charge high fees.

Bankruptcy. When financial circumstances are desperate, some debtors have little choice but to consider bankruptcy. To give some relief to consumers who are over their heads in debt, the *Bankruptcy Act* allows debtors to file bankruptcy.

When a debtor files bankruptcy, the court declares that person unable to meet financial obligations. The court then takes and sells the debtor's property and possessions except for those assets and possessions that are exempted by law. Proceeds from the sale are then divided among the creditors.

Once a debtor files a petition for bankruptcy, that petition becomes part of the debtor's credit record. This can make it difficult for the person to obtain credit from reliable sources in the future.

Chapter 13 of the Bankruptcy Act offers an alternative to straight bankruptcy. This plan permits debtors with regular incomes to pay all or a portion of their debts under the protection and supervision of the court. The court sets up a repayment schedule running over a three to five year period. It also establishes the monthly amount to be paid toward debts. Once the debtor's petition is accepted by the court, creditors may not take action against the debtor.

Filing under Chapter 13 has advantages over straight bankruptcy. The debtor usually keeps all property and possessions. And the debtor's credit rating suffers far less.

MONY

12-10 When people have serious debt problems, they can seek help from credit counseling services.

Credit recap

When you shop for credit carefully and use it wisely, you can usually avoid credit problems. Here are ten pointers to guide you in your use of credit.

1. Deal only with reputable creditors.
2. Read credit contracts and agreements before signing. Sign only when you are sure you understand all the terms and obligations and can fulfill those terms and obligations.
3. Try to pay off balances on revolving charge accounts each month to avoid finance charges.
4. Know your credit limit and stay within that limit.
5. Keep complete and accurate records of credit transactions including receipts, payments, contract agreements, inquiries, and correspondence.
6. Correct billing errors promptly.
7. Protect your credit rating by paying promptly and fulfilling your obligations as stated in credit contracts.
8. Shop for the best credit deals just as you shop for the best prices for goods and services.
9. Notify creditors without delay if you cannot pay as agreed or if your credit card is lost or stolen.
10. Know your rights and responsibilities when using credit. Keep up with consumer legislation that may change your legal rights.

to Know

cash credit
collateral
cosigner
credit card loan
credit rating
credit reporting agency
Equal Credit Opportunity Act
Fair Credit Billing Act
Fair Credit Reporting Act
installment loan
installment account
regular charge account
revolving charge account
sales credit
secured loan
single payment loan
Truth in Lending Law
unsecured loan

to Review

1. How does a credit transaction differ from a cash transaction?
2. What costs are involved in granting credit?
3. What three factors determine the amount you pay in finance charges?
4. How are creditors required to state finance charges to consumers?
5. What are the two basic types of consumer credit? How are they used?
6. Name the three basic forms of sales credit and the three basic forms of cash credit.
7. What steps can you take to build a sound financial reputation?
8. How do you establish a credit rating at a credit reporting agency?
9. The __________ requires creditors to tell consumers what credit will cost them before they use it.
   a. Fair Credit Reporting Act.
   b. Fair Credit Billing Act.
   c. Fair Debt Collection Practices Act.
   d. Truth in Lending Law.
10. What is the purpose of the Equal Credit Opportunity Act?
11. When is credit used wisely?
12. How can credit counseling services help debt-troubled individuals and families?
13. What are the advantages of filing bankruptcy under Chapter 13 of the Bankruptcy Act instead of filing straight bankruptcy?

to Discuss

1. How can the use of credit have a positive influence on the economy?
2. How can the use of too much credit contribute to inflation?
3. What are the advantages and disadvantages of using

credit?

4. How does a creditor determine a person's credit rating?

5. How can you maintain a high credit rating?

6. How can your financial personality help you decide when and if you can use credit safely? How would you describe your own financial personality?

7. When is credit often used for the wrong reasons?

8. What are some of the alternatives to using credit?

9. What questions should you ask yourself to help you decide if you should use credit?

10. Why is it important to shop for credit? What factors should you consider when shopping for credit?

11. What should you do if you have a problem paying your bills?

to Do

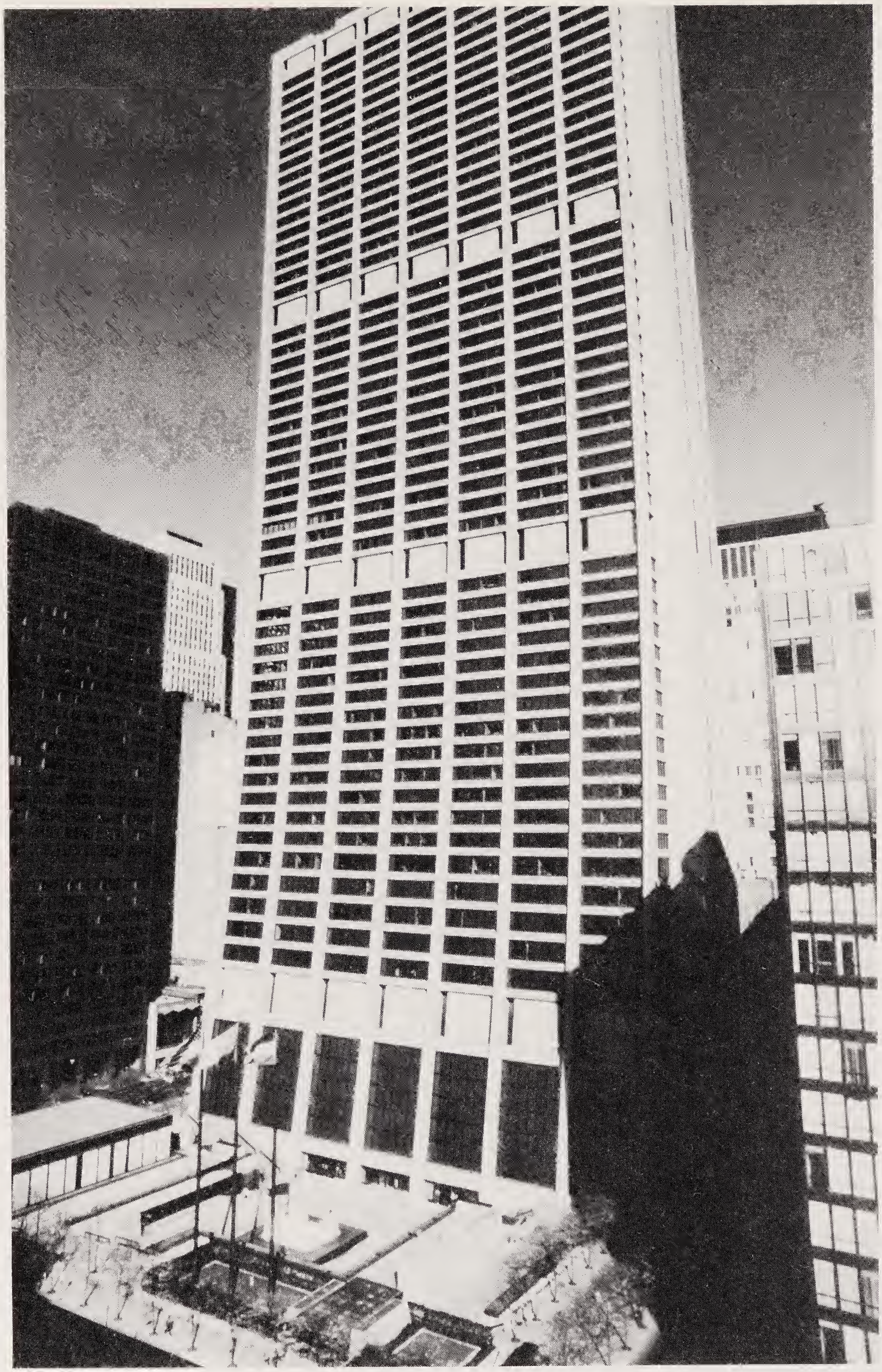
1. Suppose you want to buy a $300 television on credit. Find out what the credit terms would be if you bought the television at a department store, at a television shop, or with a bank credit card. Find out about finance charges, annual percentage rate, monthly payments, length of the repayment period, and late payment charges. Where would you get the best deal?

2. Suppose you buy a 10-speed bike and charge it on a bank credit card. After two weeks, the bike only runs on five speeds. Although the bike has a two-year warranty, the seller refuses to do anything about the problem. Describe your rights if you refuse to pay the bank.

3. Ask a representative from a credit counseling agency to speak to your class about how to use credit wisely. Prepare a list of questions to ask the speaker. You may want to include some of the following:
   a. What are the most common problems connected with the misuse of consumer credit?
   b. What are the most common causes of credit problems?
   c. How can consumers avoid credit problems?
   d. How can credit counseling help consumers with their problems?

EVANSTON CHAMBER OF COMMERCE

People have different views about the use of credit. Would you be willing to go into debt in order to own a sailboat?



FIRST NATIONAL BANK OF CHICAGO

13

Financial institutions

After studying this chapter, you will be able to:

- ☐ Select the financial institutions and services that will best meet your financial needs.
- ☐ Write and endorse checks correctly and balance a checkbook.
- ☐ Compare different types of savings plans.
- ☐ Describe the two main types of retirement accounts.

During your lifetime, you may earn as much as a million dollars—maybe even more. As you manage your income, you will probably rely on a number of financial institutions. Commercial banks, savings and loan associations, credit unions, and mutual savings banks are all financial institutions.

The primary function of financial institutions in the economy is to aid the flow of money between consumers and businesses. These institutions are financial go-betweens. They transfer money from one consumer or business to another. They keep money moving and in use.

For example, when you deposit money in a bank, the bank lends your money to other consumers and businesses. Your money becomes someone else's source of credit. It may be used to help finance consumer loans for new cars, homes, and vacations. Or it may be used to help finance commercial loans for business equipment and expansion. It is this interaction among consumers, businesses, and financial institutions that keeps our economy alive, 13-1.

Without financial institutions, you and other consumers would probably have to keep your money under a mattress or locked in a safe. Then other consumers and businesses would not be able to borrow money from you, and you would not be able to borrow money from them. This would cause the nation's money supply to shrink. Funds would not be available for consumer spending. Demand for goods and services would fall. Businesses would not be able to modernize plants and develop new products. The economy would slow down. Jobs would become scarce. As you can see, our economy depends on the services that financial institutions provide.

TYPES OF FINANCIAL INSTITUTIONS

The financial institutions offering the broadest range of financial services to consumers are commercial banks, savings and loan associations, credit unions, and mutual savings banks. In the past, laws and market conditions separated one from the other. Each type of institution offered a different set of services to a different set of customers. However, deregulation and economic conditions have brought about increasing similarities among these institutions. In addition, other companies, such as brokerage firms, insurance companies, and the so called "financial supermarkets," are beginning to offer a wider range of financial services.

A *commercial bank* is owned by stockholders and operated for profit. Its primary functions are to receive, transfer, and lend money to individuals, businesses, and governments. Commercial banks are often called full service banks because they offer a variety of services.

Commercial banks may be chartered by the federal government or by a state government. Federally chartered banks are called national banks and may use the word "national" in their titles. These banks must comply with federal banking regulations. State chartered banks are regulated by state banking commissions.

In most commercial banks, deposits are insured by the *Federal Deposit Insurance Corporation (FDIC)*. The FDIC is a U.S. government agency that protects bank customers and helps maintain confidence in the banking system. It insures bank deposits up to $100,00. This means that depositors will not lose their money if the bank goes bankrupt or suffers serious financial losses.

A *savings and loan association* also may offer a wide variety of financial services to consumers. These associations may be either mutual or stock companies. Mutual savings and loan associations are owned by and operated for the benefit of their depositors who receive dividends on their savings. Stock companies are owned by stockholders and operated for profit much the same as commercial banks. Savings and loan associations also may be called building and loan associations, cooperative banks, savings associations, or homestead associations. In the past, these associations performed two major functions—to receive and pay dividends on depositors' savings and to make home mortgage or improvement loans. Today, they offer most of the services commercial banks offer.

Like commercial banks, savings and loan associations must be chartered by federal or state governments. In all federal and most state chartered associations, deposits are insured up to $100,000 by the *Federal Savings and Loan Insurance Corporation (FSLIC)*.

A *credit union* is a non-profit financial institution owned by and operated for the benefit of its members. Credit union membership is limited to people who share a common bond such as employees of the same company or members of the same union or professional organization.

Since a credit union is not for profit and is run by its members, operating costs may be relatively low. This often allows successful credit unions to lend funds at lower rates and to pay higher rates on savings than other financial institutions.

Credit unions, like other financial institutions, may be either federally or state chartered. The *National Credit Union Association (NCUA)* grants federal charters to qualified groups and supervises credit unions across the country. The NCUA also insures accounts up to $100,000 in all federal credit unions and in state credit unions that request and qualify for such coverage.

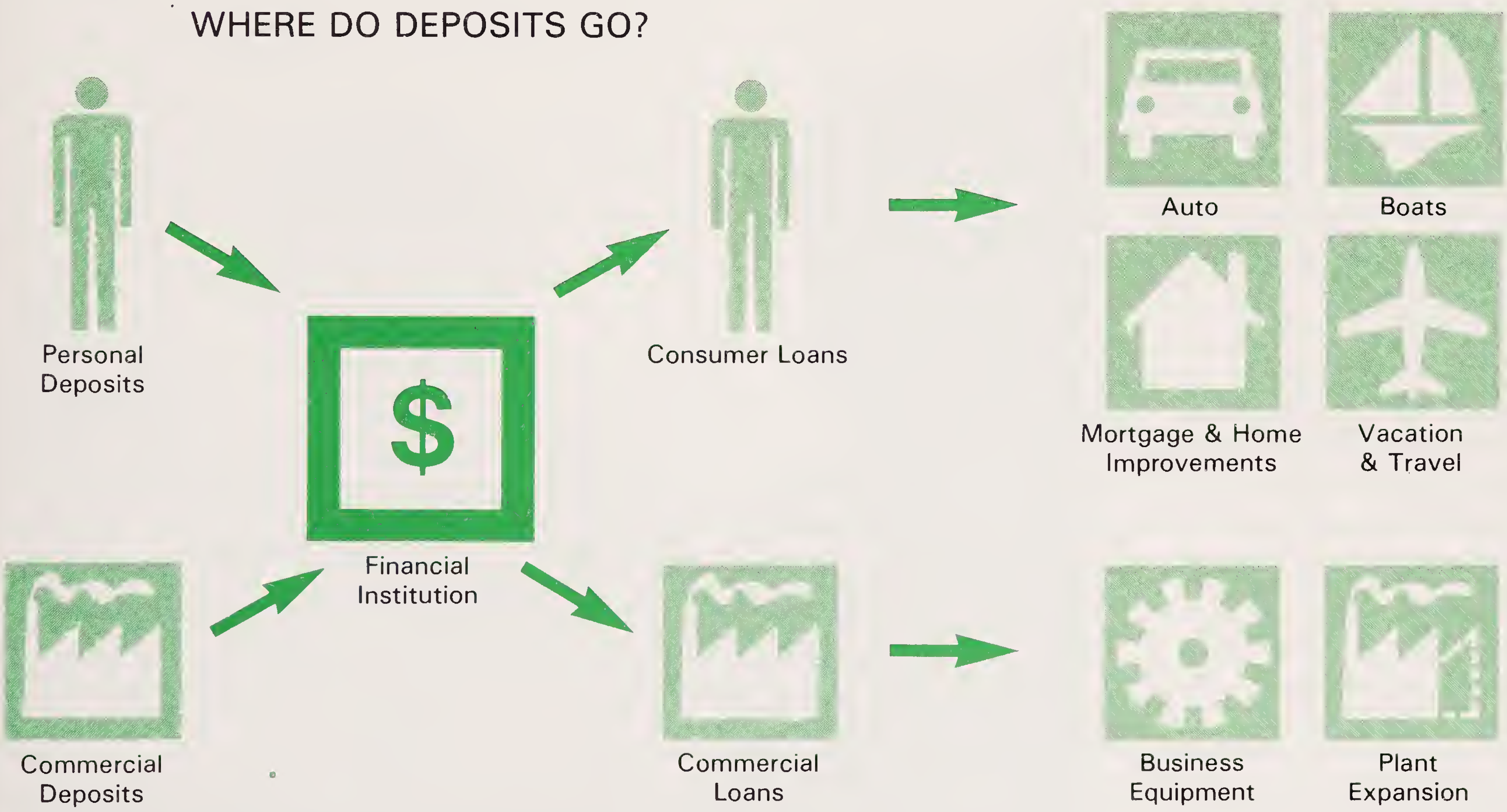
A *mutual savings bank* is owned by its depositors. After deducting operating costs and cash for reserves, earnings are divided among depositors in the form of dividends. Traditionally, mutual savings banks were created to receive and pay dividends on deposits and to make home mortgage and improvement loans. Now, they too offer a wide variety of financial services.

Mutual savings banks are chartered only by state governments and exist in only 17 states. Accounts in these banks are insured up to $100,000 by the FDIC or by state sponsored insurance.

FINANCIAL SERVICES

The broad range of financial services available to consumers today is largely a result of deregulation, computer technology, and growing economic sophistication. The services a financial institution offers depend primarily on its size and the needs of its customers. Here is a brief listing of the services you may want to look for now or in your future. (Most of these services are described in more detail later in this chapter or in other chapters.)

- Checking accounts.
- Savings accounts.
- Credit card accounts.
- Certificates of deposit.
- Personal loans for autos, education, vacations, and other needs.
- Home mortgages.
- Farm and business loans.
- Retirement accounts.
- Money orders, cashier's checks, certified checks, and traveler's checks.
- The sale and redemption of U.S. Savings Bonds and other securities.
- Trust, investment, and estate management.
- Automatic savings.
- Automatic bill paying plans.
- Overdraft protection.
- Automatic teller machines.
- Safe-deposit boxes.
- Financial counseling.


WHERE DO DEPOSITS GO?
Personal Deposits
Financial Institution
$
Consumer Loans
Auto
Boats
Mortgage & Home Improvements
Vacation & Travel
Commercial Deposits
Commercial Loans
Business Equipment
Plant Expansion

HARRIS BANK

13-1 Financial institutions help keep money moving between consumers and businesses.

CHECKING ACCOUNTS

When you earn money, you are likely to need the services of financial institutions to manage your money effectively. The first financial service used by many people when they start earning money is a checking account. It offers a safe place to keep cash. It provides a convenient way to buy goods and services and to pay bills. It provides a record of spending and receipts of payments, 13-2.

There are four basic types of checking accounts. The type of checking account you choose will depend on the amount you can afford to leave on deposit. It will also depend on the number of checks you expect to write each month.

A *regular* or *minimum-balance account* may go by different names in different banks. This account requires you to keep a minimum amount of money in the account at all times. If you maintain the balance, there is no service charge. If you fall below the minimum, there is a charge. A regular account is usually a good choice if you write a lot of checks and can maintain the minimum balance.

A *budget* or *economy account* requires no minimum balance. However, you pay a fee for every check you write and/or a monthly service charge for the account. Charges vary from bank to bank. This type of account generally is a good choice if you write few checks and keep only a small amount of cash in the account. A budget account usually works well for people with relatively small earnings and few financial obligations.

A *check credit account* permits you to write checks on credit up to a set limit. You pay finance charges on the amount you borrow. This type of account is a convenient way to get credit when you need it. However, the ease of using a check credit account tempts many to spend beyond their ability to pay. A check credit account normally is available only to customers with an approved credit rating. It is an advantage only for those with the self-control to avoid overusing it.

An *interest-bearing checking account* is a savings and checking account. Your money earns interest, and you can write checks on

FIRST NATIONAL BANK OF WINNETKA

NEW ACCOUNTS

13-2 Opening a checking account is a step toward the safe and convenient management of money.

the account. In credit unions, these accounts are called *share drafts*. In banks and savings and loan associations, they are called *negotiable orders of withdrawal* or *NOW accounts*.

Different financial institutions offer variations of the interest-bearing checking account. They may differ in interest rates, minimum balance requirements, and service charges. Since interest-bearing checking accounts differ greatly, you need to compare plans to see which one best meets your savings and checking needs.

When you shop for a checking account, ask the following questions. What is the minimum balance required for a regular account? What are the charges if the balance drops below the minimum? What are the charges per check and/or per month for a budget account? Does the institution offer a check credit account? If so, what is the charge for this service? Does the institution offer an interest-bearing checking account? If so, what is the interest rate? What is the minimum deposit requirement? What is the penalty for failing to maintain the minimum balance? What other services does the institution offer in connection with different types of checking accounts?

Opening a checking account

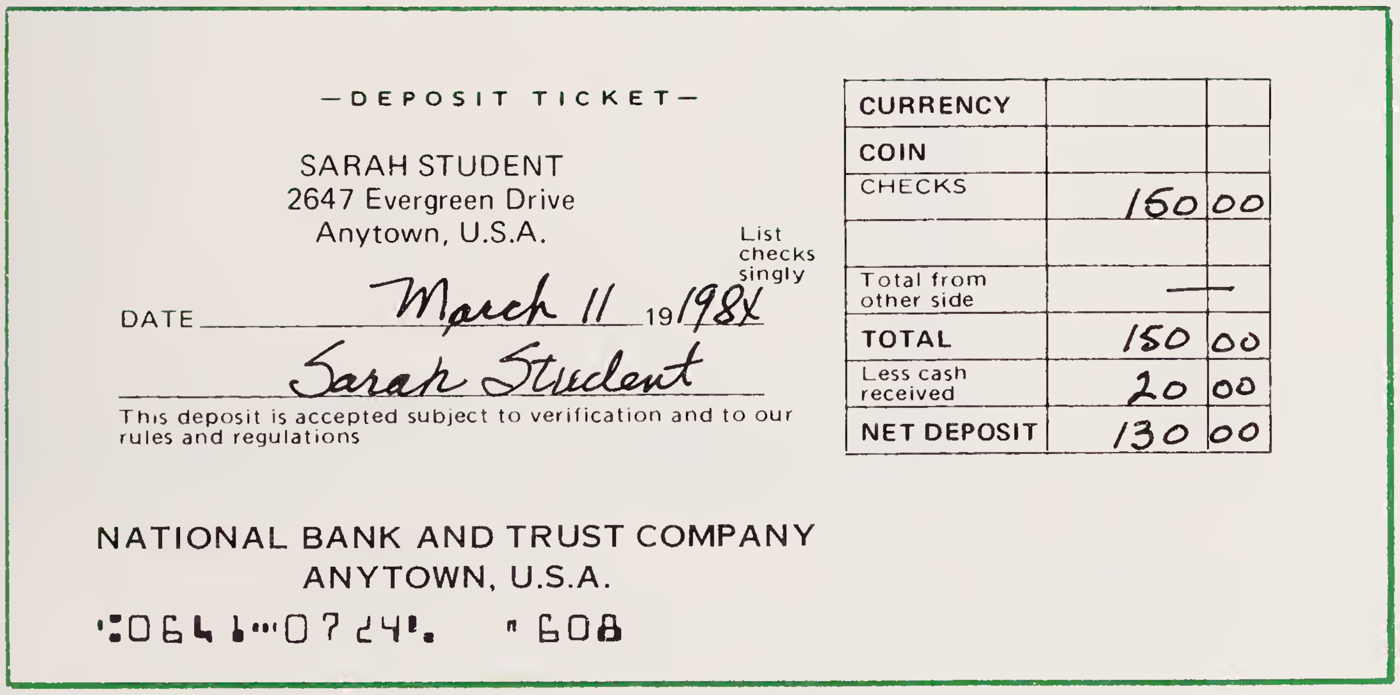
Whether you go to a large city bank or a small neighborhood bank, opening a checking account is quite simple. When you open an account, you will be asked to sign a signature card. This will be the only signature the financial institution will honor on checks and withdrawal slips. You should sign the card with the signature you intend to use for all of your financial transactions. Over the years, you will use your signature on contracts, social security forms, tax forms, and other documents. It is smart to use the same signature on all of these documents to avoid confusion.

If you want someone else to have check cashing privileges on your account, you will need to have that person sign the signature card also. This may be desirable if you will be out of town a lot and want someone to have access to your account in case of emergency. When you share an account with someone else, it becomes a *joint account*. Joint accounts, often shared by husbands and wives, require a clear understanding of who will write checks and how records of deposits and checks will be kept.

When you open a checking account, you will receive personalized checks with your name, address, and account number on them. In the checkbook, there will be a register for keeping track of deposits made and checks written.

Making deposits

To deposit money in your account, you will need to fill out a deposit slip as a record of the transaction. A deposit slip states what is being deposited—currency, coins, or checks—and the amount of each, 13-3. Follow these steps



—DEPOSIT TICKET—

SARAH STUDENT
2647 Evergreen Drive
Anytown, U.S.A.

List checks singly

DATE March 11 19198X

Sarah Student

This deposit is accepted subject to verification and to our rules and regulations

CURRENCY		
COIN		
CHECKS	150	00
Total from other side	—	
TOTAL	150	00
Less cash received	20	00
NET DEPOSIT	130	00

NATIONAL BANK AND TRUST COMPANY
ANYTOWN, U.S.A.

0641 0724 608

13-3 A deposit slip is a record of the money you deposit into your account.

when filling out a deposit slip:

1. Write in the date.
2. Enter the amount of money being deposited. Write the amount of cash being deposited beside the word "Currency." Write the amount of coins being deposited beside the word "Coin." Write the amount of checks being deposited beside the word "Checks."
3. Enter the amount of cash you want to receive after "Less cash received."
4. Subtract the "Less cash received" from the "Total" of deposits.
5. Then enter the actual amount of the deposit after "Net deposit."

When you make a deposit, you will be given a receipt. At that time you should enter the amount of the deposit in your checkbook register. If you deposit by mail, the bank will send you a receipt which you will need to record in your register.

Endorsing checks

To endorse a check, you must sign your name on the back of the check at the left end. Endorsement gives you title to the check. Before you can cash or deposit a check, you must endorse it. There are three ways to endorse a check. See 13-4.

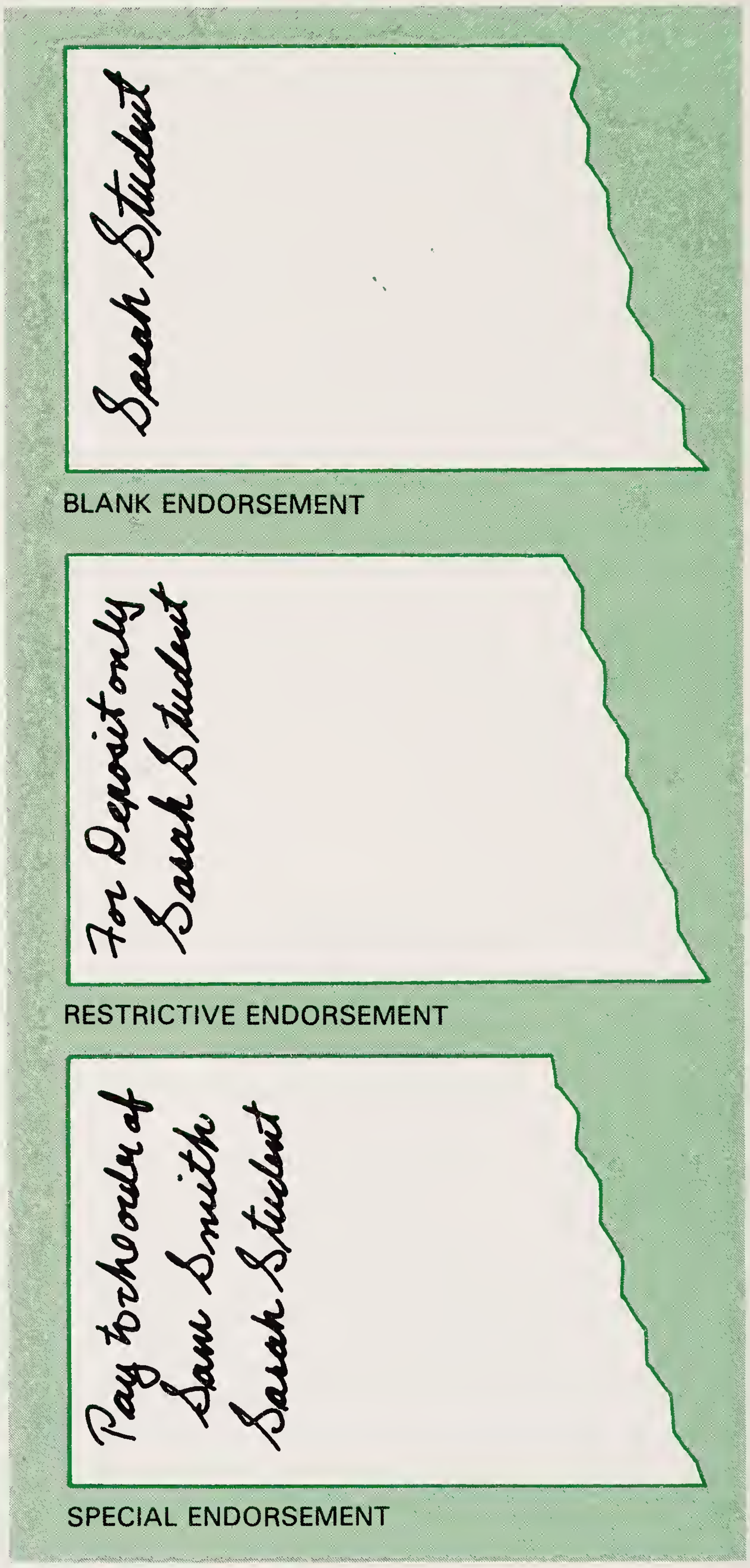
A *blank endorsement* requires only the payee's signature. A check with a blank endorsement may be cashed by anyone who possesses it. For your own protection, use this type of endorsement only at the time and place you are cashing or depositing the check.

A *restrictive endorsement* states what is to be done with the check. "For deposit only" is a common restrictive endorsement. A check with this type of endorsement may be cashed and used only for the specific purpose stated in the endorsement. It is often used when banking by mail.

A *special endorsement* is used to transfer a check to another party. Only the person named in the endorsement can cash the check. To write a special endorsement, you write the words "Pay to the order of," the name of the person or party to receive the check, and your signature as it appears on the check.

Writing checks

A blank check has important information on it, 13-5. This information helps financial institutions process checks correctly.



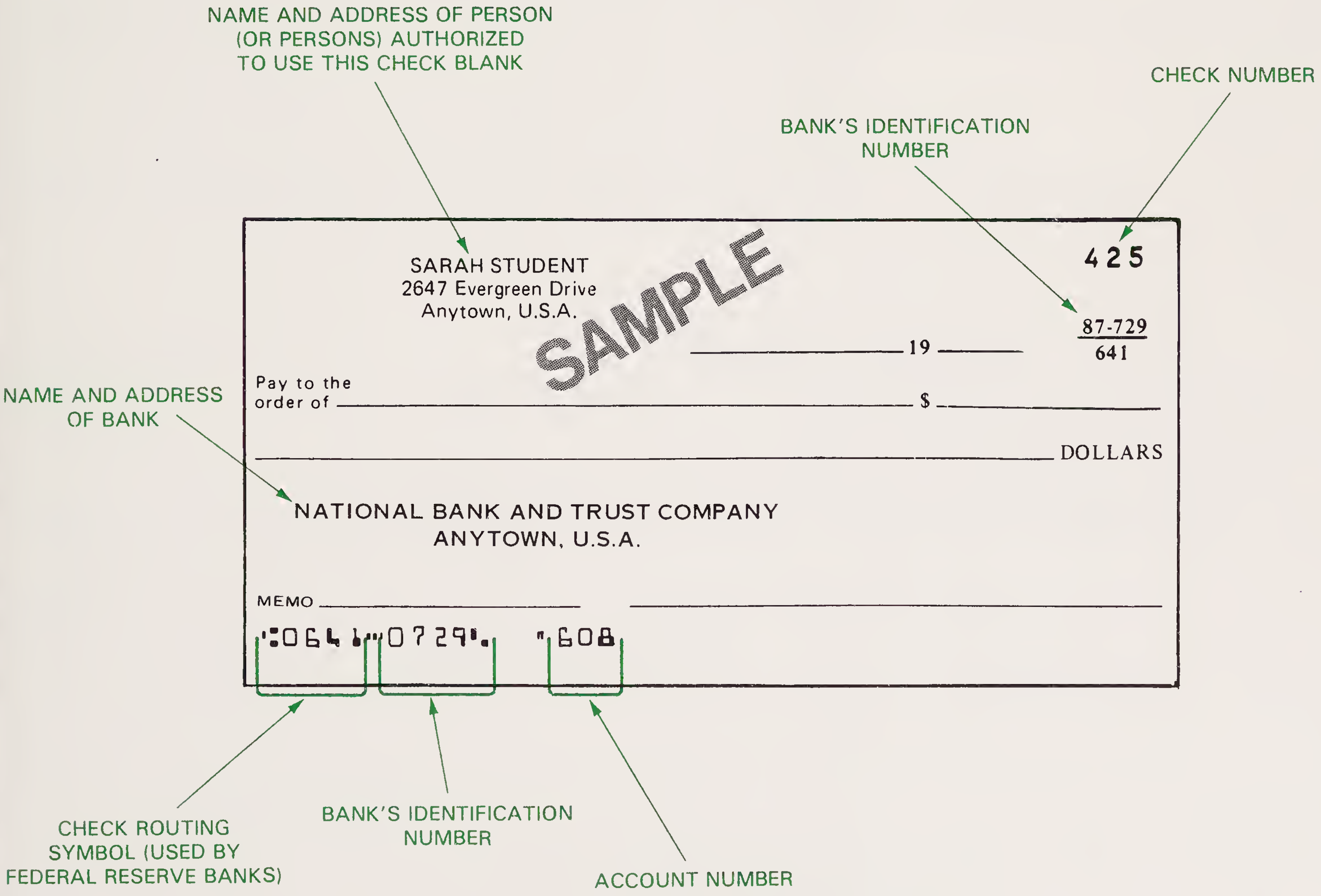
13-4 Before you deposit or cash a check, you must endorse it. A blank, restrictive, or special endorsement may be used.

In order for checks to be processed, they must be written correctly. When writing a check, you need to enter the following items in the correct spaces. See 13-6.

1. The date.
2. The name of the payee or person, business, or organization receiving the check.
3. The amount of the check in numbers. (Write as close to the dollar sign as possible.)
4. The amount of the check in words, written as far to the left as possible. Following the amount of dollars, write the word "and." Then write the amount of cents in one of three ways: 25/100, 00/100, or no/100. Draw a line through the remaining space.
5. The reason for writing the check.
6. Your signature. Use the same signature you used on the bank signature card.

For your own protection, always write checks in ink. If you make a mistake while writing, destroy the check and start over. Do not make corrections on a check.

After you write a check, it is important to record the check number, the date, the payee, and the amount of the check in your checkbook register. Then you should subtract the amount of the check from the existing balance. You should also enter the date and amount of each deposit you make, and add deposits to the existing balance. By following these guidelines, you will always know how much you have in your account. With an up-to-date record of checks and deposits, you should have no problem balancing your checkbook each month. See 13-7.


NAME AND ADDRESS OF PERSON (OR PERSONS) AUTHORIZED TO USE THIS CHECK BLANK
CHECK NUMBER
BANK'S IDENTIFICATION NUMBER
SARAH STUDENT
2647 Evergreen Drive
Anytown, U.S.A.
SAMPLE
425
19
87-729
641
Pay to the order of
$
DOLLARS
NAME AND ADDRESS OF BANK
NATIONAL BANK AND TRUST COMPANY
ANYTOWN, U.S.A.
MEMO
0641 0729 608
CHECK ROUTING SYMBOL (USED BY FEDERAL RESERVE BANKS)
BANK'S IDENTIFICATION NUMBER
ACCOUNT NUMBER

13-5 The information on checks helps financial institutions process checks correctly.

Balancing a checkbook

Once you open a checking account, you will receive a bank statement monthly, bimonthly, or quarterly. A *bank statement* is a record of checks, deposits, and charges on your account. Each time you receive a bank statement, it is important for you to make sure your record of checks and deposits agrees with the bank's record. This is called balancing your checkbook.

The bank statement you receive will give a summary of your account, 13-8. It will usually include these items:

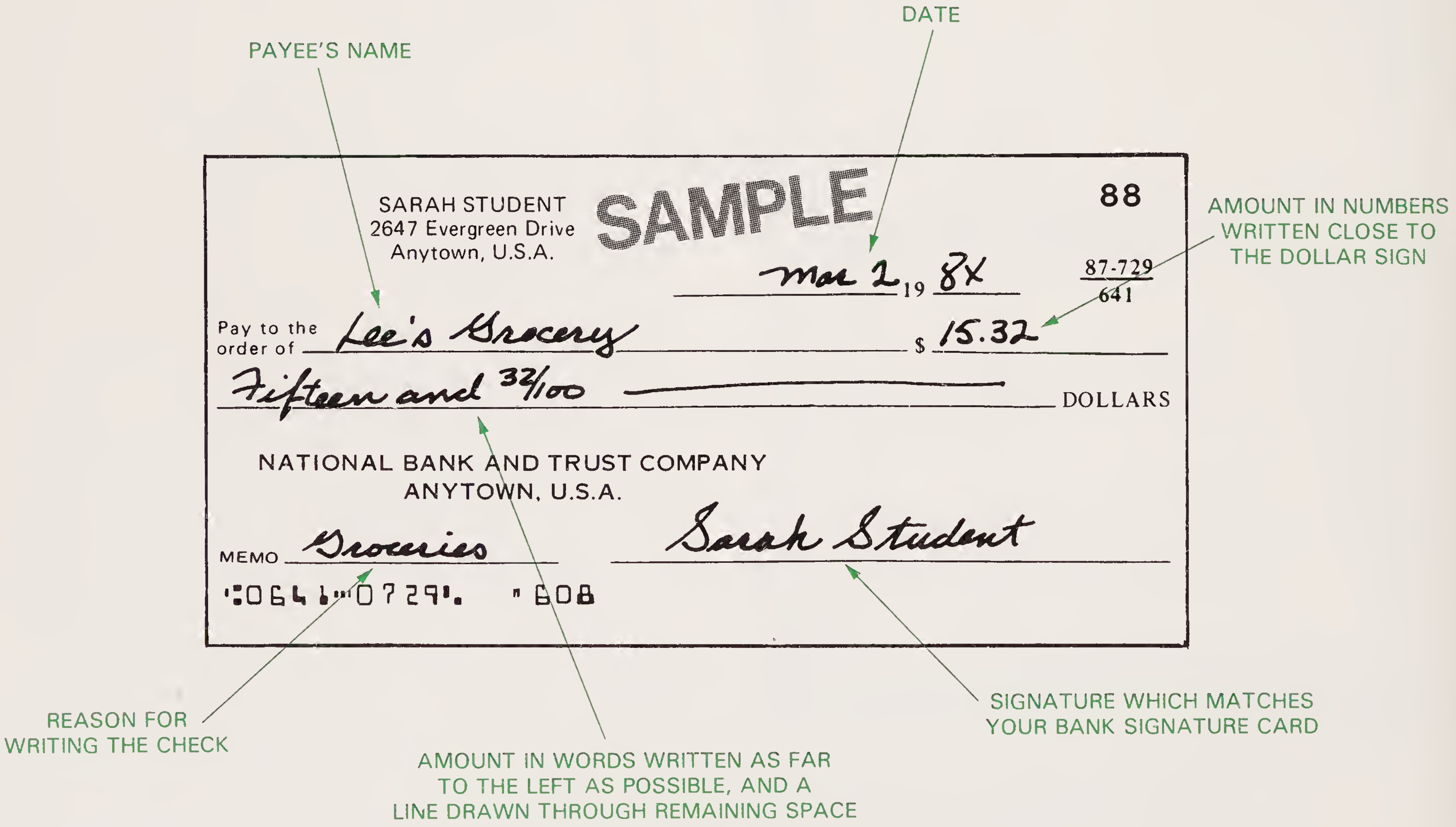
- Opening balance – the amount in your account at the beginning of the bank statement time period.
- Deposits received – the amount deposited during the time period.
- Checks paid – the amount paid out of your account for checks written during the time period.
- Other charges – the amount charged for checks, overdrafts, and service charges.
- Closing balance – the amount in your account at the end of the bank statement time period.

Below the summary will be a detailed record of each check written and deposit made and a running balance of your account. Also, the canceled checks paid out of your account usually will be enclosed with the statement.

The first step in balancing your checkbook is to compare the canceled checks with the checks listed on the statement. Then compare them with your record of checks in your checkbook register. Also compare your record of deposits in the register with those shown on the statement. If there are any service charges, be sure to subtract them from the balance shown in your register.

Now you need to account for the checks and deposits that do not appear on the statement. On the back of most bank statements, there is a worksheet provided for this, 13-9. On the worksheet, follow these steps:

1. On line 1, write the closing balance


SARAH STUDENT
2647 Evergreen Drive
Anytown, U.S.A.

SAMPLE

88

Mar 2, 19 8X

87-729
641

Pay to the order of Lee's Grocery $ 15.32

Fifteen and 32/100 DOLLARS

NATIONAL BANK AND TRUST COMPANY
ANYTOWN, U.S.A.

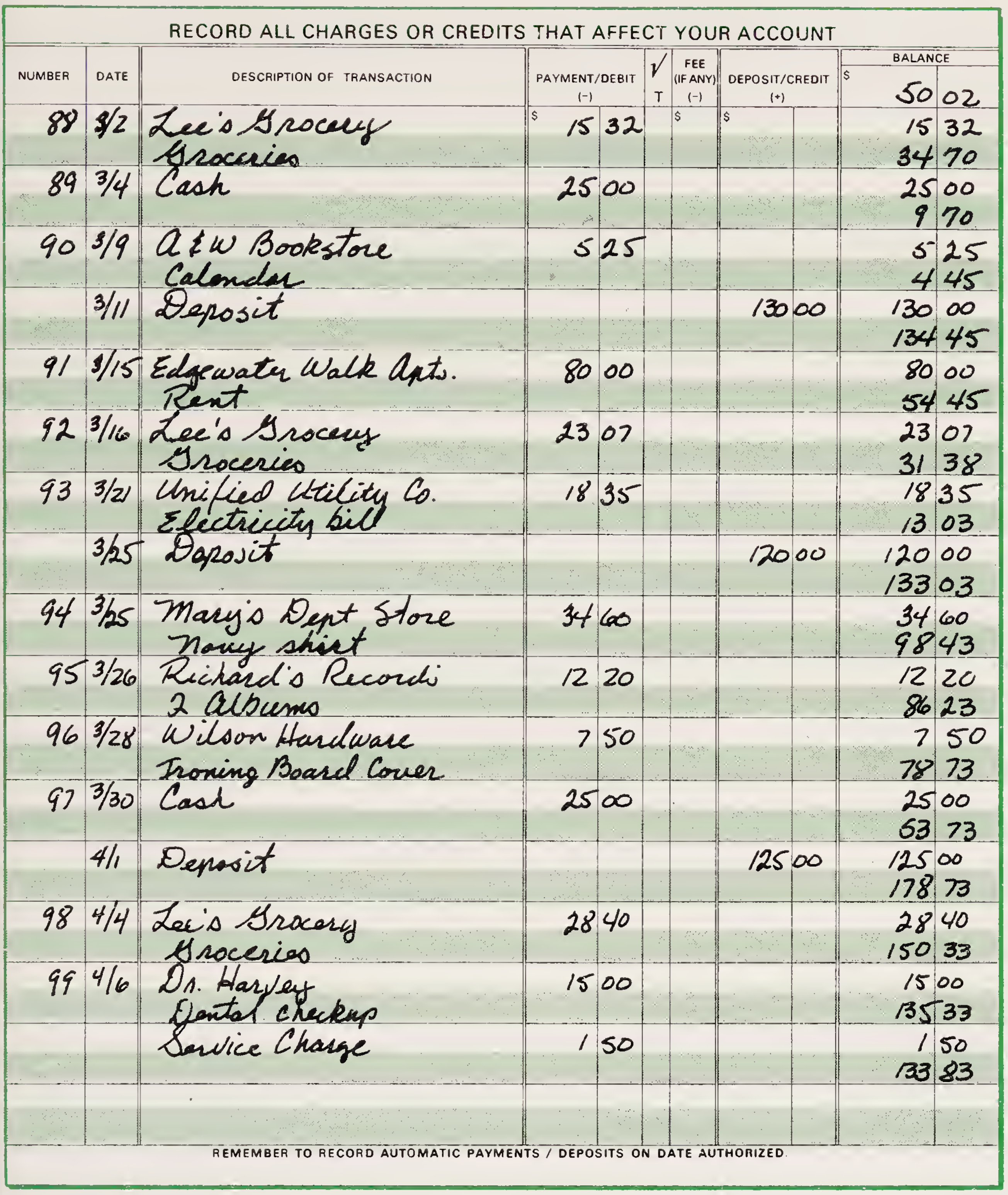
MEMO Groceries

Sarah Student

⑆0641⑈0729⑈ ⑈608

PAYEE'S NAME
DATE
AMOUNT IN NUMBERS WRITTEN CLOSE TO THE DOLLAR SIGN
REASON FOR WRITING THE CHECK
AMOUNT IN WORDS WRITTEN AS FAR TO THE LEFT AS POSSIBLE, AND A LINE DRAWN THROUGH REMAINING SPACE
SIGNATURE WHICH MATCHES YOUR BANK SIGNATURE CARD

13-6 Write checks neatly and carefully to avoid mistakes.

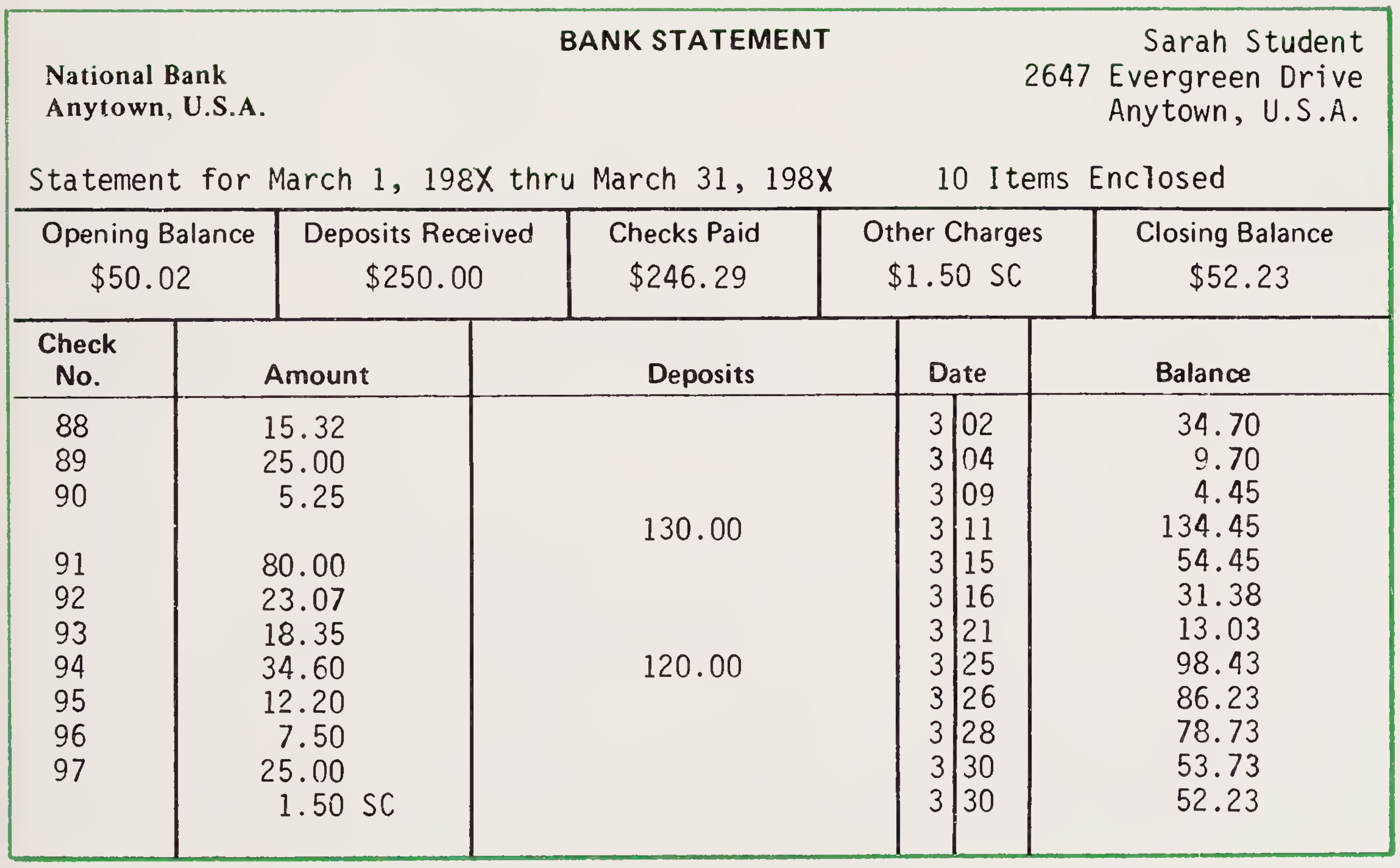


RECORD ALL CHARGES OR CREDITS THAT AFFECT YOUR ACCOUNT

NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT/DEBIT (-)	√ T	FEE (IF ANY) (-)	DEPOSIT/CREDIT (+)	BALANCE
			$		$	$	$ 50 02
88	3/2	Lee's Grocery Groceries	15 32				15 32 34 70
89	3/4	Cash	25 00				25 00 9 70
90	3/9	A & W Bookstore Calendar	5 25				5 25 4 45
	3/11	Deposit				130 00	130 00 134 45
91	3/15	Edgewater Walk Apts. Rent	80 00				80 00 54 45
92	3/16	Lee's Grocery Groceries	23 07				23 07 31 38
93	3/21	Unified Utility Co. Electricity bill	18 35				18 35 13 03
	3/25	Deposit				120 00	120 00 133 03
94	3/25	Mary's Dept Store Navy shirt	34 60				34 60 98 43
95	3/26	Richard's Records 2 Albums	12 20				12 20 86 23
96	3/28	Wilson Hardware Ironing Board Cover	7 50				7 50 78 73
97	3/30	Cash	25 00				25 00 53 73
	4/1	Deposit				125 00	125 00 178 73
98	4/4	Lee's Grocery Groceries	28 40				28 40 150 33
99	4/6	Dr. Harvey Dental checkup	15 00				15 00 135 33
		Service Charge	1 50				1 50 133 83

REMEMBER TO RECORD AUTOMATIC PAYMENTS / DEPOSITS ON DATE AUTHORIZED

13-7 After writing a check or making a deposit, always record the transaction in your checkbook register. Keeping an accurate, up-to-date register makes it easy to balance a checkbook.



BANK STATEMENT

National Bank
Anytown, U.S.A.

Sarah Student
2647 Evergreen Drive
Anytown, U.S.A.

Statement for March 1, 198X thru March 31, 198X   10 Items Enclosed

Opening Balance	Deposits Received	Checks Paid	Other Charges	Closing Balance
$50.02	$250.00	$246.29	$1.50 SC	$52.23

Check No.	Amount	Deposits	Date	Balance
88	15.32		3 02	34.70
89	25.00		3 04	9.70
90	5.25		3 09	4.45
		130.00	3 11	134.45
91	80.00		3 15	54.45
92	23.07		3 16	31.38
93	18.35		3 21	13.03
94	34.60	120.00	3 25	98.43
95	12.20		3 26	86.23
96	7.50		3 28	78.73
97	25.00		3 30	53.73
	1.50 SC		3 30	52.23

13-8 A bank statement is a record of all the deposits, checks, and charges that have been added to or subtracted from your checking account.

shown on the bank statement.
2. List all deposits you have made which are not included on the statement.
3. Add the amounts from steps 1 and 2, and write down the total.
4. List by number and amount all the checks you've written that are not included on the statement. Add these amounts together and enter the total where it says, "Checks outstanding."
5. Subtract the amount in step 4 from the amount in step 3.

The balance on your worksheet should be the same as the up-to-date balance in your checkbook. If your checkbook register and bank statement figures do not agree, go through the above steps one more time very carefully to check your arithmetic. If your figures still do not agree with each other after you have checked for errors, take the statement, canceled checks, and your checkbook to your bank for assistance.

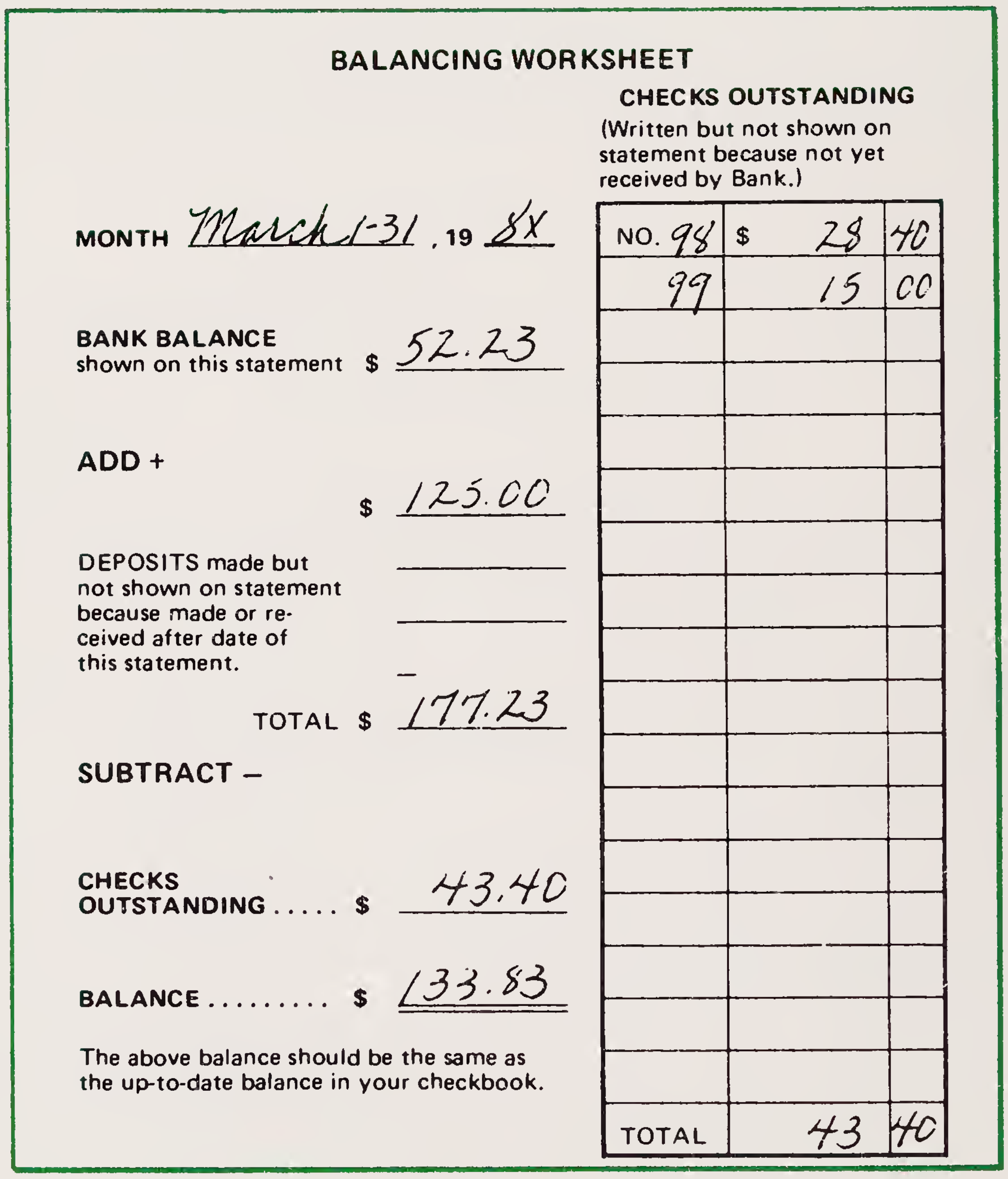
OTHER TYPES OF CHECKS

In addition to personal checks, there are other types of checks that can be used to transfer funds from payer to payee. These include cashier's checks, certified checks, money orders, and travelers' checks. Each serves a special purpose. They are available from most financial institutions, usually for a fee.

A *cashier's check* is drawn by a bank on its own funds and signed by an authorized officer of the bank, often the cashier. A person may buy a cashier's check to make a large payment to another person instead of paying with a personal check. A cashier's check is a more acceptable form of payment than a personal check when the payer is not well known by the person receiving the check.

A *certified check* is a personal check with a bank's guarantee that the check will be paid. When a bank certifies a check, the amount of the check is immediately subtracted from the payer's account. A certified check is also used

13-9 A balancing worksheet and directions for balancing a checkbook can be found on the back of most bank statements.



BALANCING WORKSHEET

MONTH March 1-31, 19 8X

BANK BALANCE shown on this statement $ 52.23

ADD +

$ 125.00

DEPOSITS made but not shown on statement because made or received after date of this statement.

TOTAL $ 177.23

SUBTRACT –

CHECKS OUTSTANDING..... $ 43.40

BALANCE .... $ 133.83

The above balance should be the same as the up-to-date balance in your checkbook.

CHECKS OUTSTANDING

(Written but not shown on statement because not yet received by Bank.)

NO.	$	
98	28	40
99	15	00
TOTAL	43	40

to make a payment to someone who does not want to accept a personal check.

A *money order* is an order for a specific amount of money payable to a specific payee. People who do not have checking accounts may use money orders to send payments safely by mail. While money orders are sold in a number of places, it is wise to buy them only from reputable sellers such as insured financial institutions and post offices.

Traveler's checks often are used by people who travel and don't want to carry large amounts of cash. Traveler's checks can be cashed most places around the world. If the checks are lost or stolen, they can be replaced at the nearest bank or agency where such checks are sold.

SAVINGS

Saving money in a financial institution offers two big advantages. It provides a safe place to keep money and a way to earn interest or dividends. Beginning a savings program also can encourage you to save regularly and help you establish a good credit rating.

Most financial institutions offer two basic forms of savings plans: passbook savings accounts and certificates of deposit (CDs). At credit unions, savings accounts are called share accounts and CDs are called certificates of shares.

Passbook savings account

A *passbook savings account,* also called a regular account, permits you to make deposits and withdrawals in varying amounts at any time, 13-10. The amount of interest you earn depends on the annual rate of interest, the method of calculating interest, the number of times a year the interest is compounded, and the length of time the money is in savings.

Four common methods are used to calculate interest on regular accounts.

13-10 Some parents begin a regular savings account for their children at an early age.

Day-of-deposit to day-of-withdrawal. Your money earns interest for the actual number of days it is deposited.

Last in-first out. Your money earns interest from the day of deposit to the end of the interest period. Withdrawals are subtracted from the latest deposits so that earlier deposits earn interest longer. For example, suppose you have an account with quarterly interest periods. On January 1, you have $250 in the account. January 15, you deposit $50. On February 15 you deposit $25. Then on March 15, you withdraw $75. The withdrawal is deducted from the last two deposits, and your $250 earns interest for the entire quarter.

First in-first out. Your money earns interest from the day of deposit to the end of the interest period. However, withdrawals are deducted from the beginning balance or earlier deposits rather than the latest deposits. Therefore, your early deposits do not earn interest for the entire period if you make withdrawals before the end of the interest period.

Low balance. You earn interest only on the lowest amount in your account during the interest period. For example, suppose you have an account with quarterly interest periods. On January 1, you have $1500 on deposit. On March 25, five days before the end of the quarter, you withdraw $500. You earn interest only on $1000, the low balance for the period.

Interest can be compounded on a daily, monthly, quarterly, or yearly basis. The more often interest is compounded, the more interest you will earn.

You will also earn more interest the longer you keep money in savings. If you withdraw money before the end of an interest period, you may not receive interest on your savings for the entire period. The interest period is the length of time between interest payments. It is usually best to withdraw money at the end of an interest period and to deposit money at the beginning of an interest period.

Therefore, if you expect to deposit and withdraw money at different times during the year, it is important to find out how interest is calculated. You also need to find out if grace periods apply. A grace period is a set number of days at the beginning or the end of the interest period. During this time, you can withdraw or deposit money and receive interest for the entire period. For example, suppose a bank allows a five-day grace period on a monthly interest period. Then you can take money out of your account five days before the last day of the month and receive interest for the entire month. You also can put money into the account five days after the first day of the month and receive interest for the entire period.

Certificates of deposit

A *certificate of deposit* (CD) is sometimes called a savings certificate, a time deposit, or a time account. With a CD, you deposit money for a set period of time and earn a set annual rate of interest. A minimum deposit is usually required.

Since CDs require you to commit your money for a period of time, they pay a higher rate of interest than regular savings accounts. The longer you agree to hold a CD, the higher the rate of interest you can earn. Therefore, a six-year CD will yield a higher annual rate of interest than a two and a half year CD.

Although most certificates of deposit can be cashed before the time period is over, a significant amount of interest would be lost. For example, suppose you buy a four-year certificate for $1000 at an annual interest rate of 7.5 percent. If you hold it until maturity, you would earn $349.81 in interest. But if you cash it at the end of two years, you would lose two years of interest. You would also receive less interest for the two years you held the certificate because the interest would be computed at the rate of a regular savings account. Therefore, if the regular account rate is 5.5 percent annually, you would only receive $116.26 in interest.

Many financial institutions may also sell *money market certificates.* They are a type of CD. However, rates for money market CDs are based on U.S. Treasury Bill rates. (Treasury Bills will be discussed in Chapter 14.) Therefore, money market CD rates change as Treasury Bill rates change. They are not at fixed interest rates like regular CDs.

Penalties for early withdrawals are usually stiffer for money market CDs than regular CDs. Therefore, it is important to find out just what you stand to lose if you must withdraw your money before the end of the time period.

A savings plan

Opening a savings account or buying a certificate of deposit at a financial institution is a simple task. However, it is not so easy to find the institution that will bring you the highest possible earnings for the amount you have to deposit. The more money you have to save, the more important it is for you to shop for the best savings plan.

To help you decide which form of saving is best for you, outline your savings plans and goals. Here are a few questions to consider. How much can you save regularly each week or month? When and how often do you expect to deposit savings? When and how often do you expect to withdraw savings? Are you willing and able to deposit $1000 or more for 90 days or longer? Have you a specific savings goal such as an amount you want to save within a given number of years? Or, are you saving for a specific purpose or purchase?

Once you decide on your savings goals and needs, you are ready to start shopping for a financial institution and savings plan that will meet your needs. Before choosing any financial institution, make sure it is insured. Also find out what services each institution offers in connection with their savings accounts and CDs. Look for the services that will be convenient and helpful to you. Then compare various types of savings plans.

Before you open a passbook account, ask the following questions.

What interest rate is paid? The higher the rate of interest, the more interest your money will earn.

What method is used to calculate interest? If you make a lot of deposits and withdrawals during the interest period, the amount of interest you earn will vary with the calculating method used.

How often is interest compounded? The more often your savings is compounded, the more interest your money will earn, 13-11.

How often is interest paid or credited to your account? Interest periods may be monthly, quarterly, semiannually, or annually. Generally, shorter interest periods offer more flexibility for depositing and withdrawing money without loss of interest.

What are the policies on deposits and withdrawals? Can you put money in or take money out as you choose without losing any interest?

Is there a grace period? Can you deposit money after the beginning of the interest period and withdraw money before the end of the interest period without loss of interest for that period?

EARNING POWER

	Rate of Interest					
Frequency of Compounding	5.50%	6%	7%	8%	9%	10%
Quarterly	$1690.69	$1703.20	$1728.54	$1754.33	$1780.56	$1807.26
Monthly	1691.28	1703.91	1729.58	1755.64	1782.26	1809.39
Daily	1696.97	1710.19	1737.04	1764.45	1792.42	1820.98

13-11 Suppose you deposit $10 a week over a period of three years. The growth of your savings will depend on the rate of interest and the frequency of compounding.

Before buying a certificate of deposit or CD, ask these questions.

What is the current interest rate and maturity date?

What is the dollar amount of earnings if you hold the certificate to maturity?

Can you cash the CD before maturity? If so, what are the penalties for cashing it early?

What happens to the CD at maturity? Will your money earn interest at the regular savings account rate? Will it be automatically reinvested in another CD? Will the financial institution hold it with no interest until hearing from you? Will you receive notice of the maturity in advance, so you will have time to decide how to put the money to work again?

Case Studies

A SAVINGS COMPARISON

Dean and Sally are both high school juniors. Dean works as a part-time cook at a local restaurant, and Sally works after school and on Saturdays at a bakery. Both earn enough money to put some aside for the future. After reading about saving and investing in their consumer education class, they both decide to open a savings account. At the end of a year, they will compare their results.

Before they begin, they set some game rules. They both agree to open their savings accounts with $10 and to add $10 to the accounts each week for one year.

After shopping carefully for an account, Dean opens a passbook savings account at a local bank. He chooses this type of financial institution and account for the following reasons:

- He can open the account with a small amount of money and add to it at any time.
- He will earn 5.25 percent interest which compares favorably with other institutions offering the same type of account.
- The bank will calculate interest from the day of deposit to the day of withdrawal which will let him deposit and withdraw money as he chooses without loss of interest.
- The bank will compute interest daily. Dean figures over a long period of time as his savings grow, the frequent compounding of interest will increase his earnings.
- The bank will give special consideration to savings account customers who apply for auto loans. Dean plans to buy a car after graduation. A savings account with a record of regular savings would make it easier for him to get a car loan.
- Deposits are insured by the FDIC.
- The bank is in a convenient location with convenient business hours. The employees are very friendly and helpful.

While Dean is setting up his account at a commercial bank, Sally decides to open her savings account at a savings and loan association. Here are the reasons she chooses an S&L:

- The 5.50 percent interest rate is higher than the rate for similar accounts in other institutions where she shopped.
- The savings and loan offers premiums for new accounts. Sally will get two free tickets to the local theater for opening an account.
- Deposits are insured by the FSLIC.
- The S&L offers drive-in and mail-in services.

After one year, this is how Dean's and Sally's earnings compared. At 5.25 percent interest compounded daily, Dean earned $14.16 in interest. At 5.50 percent interest compounded quarterly, Sally earned $13.07 in interest. However, if Dean and Sally continued their savings, Sally would earn more than Dean. After five years, Dean's savings would earn $374.65 in interest and Sally's would earn $381.94 in interest.

Question to discuss

1. What do you think of Dean's reasons for choosing a passbook savings account at a commercial bank?
2. What do you think of Sally's reasons for choosing a savings account at a savings and loan association?
3. What would you consider most important when opening a savings account?
4. If there is only .25 percent difference in interest rates between two savings accounts, when would it be important to choose the account with the higher interest rate?

5. When two different accounts (like Dean's and Sally's accounts) earn about the same amount of interest, how would you decide which one to choose?

CHECKING AS SAVINGS?

Cliff, a high school senior, has been pumping gas at a local service station for the past two years. Although he only works part-time, he earns pretty good pay.

Now that he has money, Cliff is fascinated with the idea of letting money work for him. At a savings and loan last year, he bought a $1000 certificate of deposit for a two and a half year term which earns 7 percent interest annually.

Cliff also has a checking account at a commercial bank. He usually keeps a balance of $200 to $300 in the account. When Cliff hears that the savings and loan association is offering a checking account that earns 5.25 percent interest, he wonders if he should change accounts. Although the account wouldn't earn much, something would be better than nothing, right? Wrong in this case and here's the reason why.

Unlike his regular checking account at the bank, the NOW account calls for a minimum balance of $500. If the balance falls below this minimum, there is a $5 monthly service charge and a 20¢ charge per check. Although Cliff could manage the $500 minimum most of the time, it wouldn't be easy. If his balance did fall below the minimum, he would lose money. Therefore, Cliff decides it will be smarter for him to keep his savings separate from his checking account.

Questions to discuss

1. What do you think of Cliff's decision?
2. When would it be to your advantage to have a NOW account?
3. How do NOW accounts differ at financial institutions in your area?
4. Do you think Cliff could earn a higher annual yield on his savings with a two and a half year money market CD instead of the regular CD he has now?

A CLOSER LOOK AT EARNINGS

Marvin has $2500 in a savings account which earns 5.5 percent interest. He has been saving for a down payment on a new car. When the new car models come out in September, he decides he has enough money saved to order the model he wants. On October 20, the car dealer calls to tell Marvin the car has arrived. Marvin hurries to the bank to take out his savings for the down payment. That's when he is unpleasantly surprised.

Since interest on his account is computed daily, Marvin thought he would receive another interest payment when he withdrew his money. However, the bank credits interest on this type of account only twice a year. The last interest payment was made on June 30. The next one will not be made until December 31. If Marvin withdraws his savings now, he will not receive any interest for July through October.

Marvin was expecting to receive interest for the entire time his money was in savings. This would have given him close to $50 more in interest. However, Marvin needs his money right away for the car. He will just have to lose out on the interest.

Questions to discuss

1. How could Marvin have avoided this problem?
2. Would Marvin lose less if he took out a 90-day loan for the down payment instead of withdrawing his savings before the end of the interest period? How would the amount of finance charges he would pay for a 90-day loan compare with the amount of interest he would earn on his savings?

WHAT HAPPENED TO THE INTEREST?

Sharon has $3000 in her savings account. She has been saving for four years. She withdrew $500 on December 15 to lend to a friend who needed the money to tide him over until his Christmas bonus was paid. The friend repaid the loan December 27, and Sharon redeposited the $500 in her account.

On December 31, Sharon got some bad news. The interest on her savings for the last quarter was computed on $2500 rather than $3000, even though the balance was $3000 for almost the entire quarter. She learned that interest was calculated on the lowest amount in the account during the period. The difference in the amount of interest she earned was almost $20. Sharon had not expected this, and she felt cheated.

Questions to discuss

1. How could Sharon have avoided losing interest?
2. What questions should she have asked when she opened her account so she would have known what to expect?
3. To what extent do you think it was Sharon's responsibility to know how interest was calculated? To what extent was it the responsibility of the financial institution to tell her?

RETIREMENT ACCOUNTS

Retirement accounts help people establish financial security for their retirement years. These accounts may be opened at banks, savings and loan associations, credit unions, brokerage firms, mutual savings banks, or insurance companies. Many employers also offer retirement accounts.

In addition to saving for retirement, retirement accounts offer tax advantages. The money deposited in these accounts (up to a certain amount each year) is tax deductible. Also, taxes on retirement account earnings do not have to be paid until the funds are drawn at retirement.

The Individual Retirement Account (IRA) and the Keogh Plan are the two main types of retirement accounts.

The Individual Retirement Account

A taxpayer may make a tax-deductible contribution of $2,000 annually to an *IRA*. Married couples with only one earner may contribute $2,250 annually. Two-income couples may contribute $4,000 annually. Even when taxpayers contribute less than these amounts, they can accumulate large savings in IRAs.

The earnings from an IRA continue to be reinvested in the account. No funds are taxed until payments begin at retirement. Payouts may begin as early as age 59 1/2. Chart 13-12 shows how IRA savings accumulate when a $2,000 contribution is made each year until the age of 65.

Most taxpayers may open an IRA by making the required deposit with any responsible financial institution. Institutions may invest IRA funds in a variety of CDs, securities, and other investment plans. If a taxpayer wants his or her IRA funds invested a certain way, the taxpayer will need to choose an institution that makes those kinds of investments. It is possible to open more than one IRA account and spread retirement funds among different types of investments. But if total contributions per year exceed the specified amount, the extra portion is not tax deductible.

IRA funds may be shifted from one type of investment or security to another and from one account to another with only a few restrictions. But the withdrawal of funds before age 59 1/2 results in stiff tax penalties and loss of interest in most cases.

The Keogh Plan

The *Keogh Plan* is similar to an IRA, but it is for self-employed persons. Contributions up to $30,000 or 20 percent of self-employment earnings, whichever is less, may be made to a Keogh account annually and claimed as a tax deduction. Like IRAs, the interest earned on Keogh accounts is not taxed until retirement. Retirement may begin as early as 59 1/2.

Keogh funds may be invested in a number of ways. When opening a Keogh account or an IRA, it is important to choose a sound and reputable financial institution.

OTHER SERVICES

In addition to checking accounts, special checks, savings plans, and retirement accounts, there are other services that may be offered by financial institutions.

Automatic savings. With this service, the financial institution, on your request, will automatically transfer a certain amount each month from your checking account to your savings account.

Automatic bill paying. The financial institution, on your request and according to your instructions, will pay certain bills for you out of your checking account. For example, deductions can be made automatically from your account for an auto loan payment, an insurance premium, or a utility bill. This service can save you the trouble and cost of writing and mailing checks for a number of bills.

Overdraft protection. With this service, the financial institution will pay your check even if you do not have enough in your account to cover it. A fee is usually charged for this service. It differs from a check credit account in that the protection is not set up formally, and overdrafts are not encouraged.

Drive-in and mail-in services. Many financial institutions offer the convenience of being able to make deposits and withdrawals by mail or at drive-in windows. In some states, financial institutions have automatic teller machines for check cashing, deposits, and withdrawals, 13-13.

Safe-deposit boxes. Some financial institutions rent boxes in their vaults for the storage of valuables. Jewelry, wills, birth records, insurance policies, and other important items are often kept in safe-deposit boxes.

POSSIBLE IRA EARNINGS

Your age now	Total amount invested, assuming contributions of $2,000 per year until age 65	Rate of Interest			
		8%	10%	12%	14%
20	$90,000	$884,921	$1,761,491	$3,611,307	$7,573,149
25	80,000	585,700	1,062,718	1,980,324	3,768,858
30	70,000	384,855	638,004	1,082,495	1,871,917
35	60,000	250,043	379,866	588,299	926,111
40	50,000	159,558	222,971	316,261	454,515
45	40,000	98,823	127,611	166,521	219,380
50	30,000	58,057	69,652	84,094	102,138
55	20,000	30,694	34,424	38,723	43,681
60	10,000	12,328	13,013	13,748	14,533

STEIN ROE & FARNHAM FUNDS

13-12 The amount you earn from a retirement account depends on the age you begin the account, the amount you contribute each year, and the annual rate of interest.

DEPOSITS
PAYMENTS
AUTOMATIC BANKING CENTER

CONTINENTAL BANK

13-13 With automatic teller machines, you can cash checks, make deposits, and withdraw money at any time on any day.

to Know

- bank statement
- budget checking account
- cashier's check
- certificate of deposit
- certified check
- check credit account
- commercial bank
- credit union
- interest-bearing checking account
- IRA
- Keogh Plan
- money market certificate
- money order
- mutual savings bank
- passbook savings account
- regular checking account
- savings and loan association
- traveler's check

to Review

1. What is the primary function of financial institutions in the economy?
2. Name at least four services offered by each of the following financial institutions:
    a. Commercial banks.
    b. Savings and loan associations.
    c. Credit unions.
    d. Mutual savings banks.
3. True or false. Credit unions usually charge lower interest rates on loans and offer higher interest rates on savings than commercial banks and savings and loan associations.
4. A ________ checking account requires no minimum balance, but there is a fee per check and/or a service charge for the account.
5. What are interest-bearing checking accounts usually

called at credit unions? At banks and savings and loan associations?

6. What is the purpose of endorsing a check?

7. What should you do after you write a check?

8. What determines the amount of interest you earn on a passbook savings account?

9. Which of the following methods calculates interest for the actual number of days it is deposited?
   a. Low balance.
   b. First in-first out.
   c. Last in-first out.
   d. Day-of-deposit to day-of-withdrawal.

10. An account earning 5.50 percent annual interest will earn the most if it is compounded (quarterly, monthly, daily).

11. How do annual interest rates differ for money market CDs and regular CDs?

12. What tax advantages do retirement accounts offer?

to Discuss

1. What is the purpose of the FDIC, FSLIC, and the NCUA?

2. What are the four basic types of checking accounts? Name the advantages and disadvantages of each.

3. When shopping for a checking account, what are some of the questions you should ask?

4. Explain how to balance a checkbook correctly.

5. How does a cashier's check differ from a certified check?

6. When are traveler's checks often used?

7. What should you consider before buying a certificate of deposit?

8. Why would a $1000 CD earn a greater yield than $1000 deposited in a passbook savings account for the same amount of time?

9. How does an IRA differ from a Keogh Plan?

10. What is the advantage of having overdraft protection at a financial intstitution?

to Do

1. Survey local financial institutions to learn the types of financial services each provides. Then make a chart showing the services provided by each one you surveyed.

2. Prepare a bulletin board showing the correct way to write and endorse checks.

3. Assume you have $1000 you can save for one to three years. Compare savings plans at three or more financial institutions to find out which institution will pay the highest rate of interest for your $1000. Also find out the dollar amount you could expect to earn in one, two, and three years. In a short report, explain to the class which savings plan you would choose and why.

4. Interview a banking official about retirement accounts. Find out the advantages and disadvantages of opening an account when you're in the 20-30 age range. Report your findings to the class.

This Deed
Family Li
Financial
Institutio
and You
The Good
Family Life
The Corporate Income Fund
PROSPECTUS
First GNMA Series
Puerto Rico Water Resources Authority
Electric Revenue Bonds (Series 1978)

MERRILL LYNCH

14

Investments and insurance

After studying this chapter, you will be able to:

☐ Compare different types of investments.
☐ Plan for an education by setting career goals and objectives.
☐ Evaluate schools and training programs to see if they meet your needs and educational standards.
☐ Describe different types of life insurance and the purpose of each.
☐ Plan a life insurance program based on your financial plans and responsibilities.

To make money, you have to spend money. You have to spend a sizable amount of money to invest in securities, real estate, or your own business. Making an investment in education may also require a lot of money. But all of these investments are very likely to earn more money than they cost.

The same is true when you buy life insurance. In the event of death, a life insurance policy provides far more money than a policyholder pays in premiums.

When thinking about investments, education, and insurance, base your decisions on your needs, responsibilities, and resources. Choose what you need, and buy what you can afford. Making the "right" decisions about investments, education, and insurance will help you feel more secure about yourself and your future.

INVESTING YOUR INCOME

There are two basic ways to earn money. One way is to work. The other way is to put money to work for you. Spending money to make money is called investing. Investing money does involve risk. The degree of risk varies with each investment. High risk investments have the potential for big gains and big losses. Safer, low risk investments yield smaller profits, but offer protection from large losses.

Historically, investors who financed new ideas and products such as the automobile, the fountain pen, and the rubber band came away with handsome profits. Those who invested in ideas and products that didn't succeed lost their money. Most investors fall somewhere in between high profits and big losses. If you want to invest and come out ahead, now is the time to learn a few basic investment facts.

SECURITIES

Buying securities is one way to invest your money. Stocks, bonds, investment funds, and money market funds are all securities. *Securities* represent either ownership or indebtedness. Corporations and governments issue securities to get money to operate and expand. Securities may be sold and traded on security exchanges and markets, 14-1.

Stocks

A *stock* is a share in the ownership of a corporation. When you buy stock in a corporation, you become part owner of that company. Stockholders share in the profits of the company after debts and operating expenses are paid. The two types of stock are common stock and preferred stock.

Common stock. Owners of common stock may earn a share of the profits and vote on certain company decisions. Common stockholders often receive profits in the form of *dividends.* Dividends on common stock are paid only when they are declared by the company's board of directors.

The amount and frequency of dividends depend on company earnings, plans for expansion, and economic conditions. When earnings are good and the economy is expanding, a company's common stock tends to increase in value more rapidly than its bonds and preferred stock. However, common stock tends to decline more rapidly when the economic outlook is poor.

Preferred stock. Owners of preferred stock also share in company ownership and profits. Preferred stockholders normally are paid regular dividends at stated rates. They are entitled to dividends before dividends are declared for common stockholders.

Generally, the value of preferred stock is not as closely tied to market conditions as is the value of common stock. Preferred stock is normally a more conservative, less risky investment than common stock. It also offers less opportunity for large gains.

Bonds

A *bond* is a certificate of debt or obligation issued by a corporation or a government. Bondholders are like creditors, not owners as stockholders are. Owners (stockholders) share in the profits and losses, but creditors (bondholders) must be paid before owners get anything. Therefore, bondholders have a claim on a corporation's income and assets ahead of stockholders.

When a corporation or government issues a bond, it promises to pay a certain amount of interest on the face value of the bond during the loan period. The bond issuer also promises to repay the face value of the bond when it reaches maturity.

The *face value* of a bond is the amount the bond is worth when it is issued. The *market value* is the amount for which the bond sells. The market value may be more or less than the face value, or it may be the same. The amount of money you invest in a bond is the *principal.*

Although the rate of interest you earn on a bond is determined before the bond is issued, the yield or amount you earn depends on the amount you pay for the bond. If you buy the bond for less than the face value, you will earn a higher yield of interest. If you buy the bond for more than the face value, you will earn a lower yield of interest.

For example, suppose the X Corporation issued a $1000 bond at a 9% annual rate of interest. However, you bought the bond on the exchange at a market value of $900. Although you paid only $900 for the bond, you would earn a 9% annual rate of interest on $1000, or a total of $90. Therefore, you would actually earn a 10% yield on the bond instead of a 9% yield.

On the other hand, if you bought the same $1000 bond for $1200, you would earn a lower yield. You would still earn $90 (9% of $1000), but the percent of yield would drop to 7 1/2%.

Bonds are among the safest investments you can make. However, the safety of a bond depends on the credit rating of the issuer. Rating agencies, such as Standard and Poor and Moody, rate bonds. Bonds with high ratings carry little risk. Bonds with low ratings may be risky, but they may also provide greater returns. Usually, $1000 is the least amount you can invest in a bond. For this reason, investors with limited funds may begin their investment programs with other types of securities.

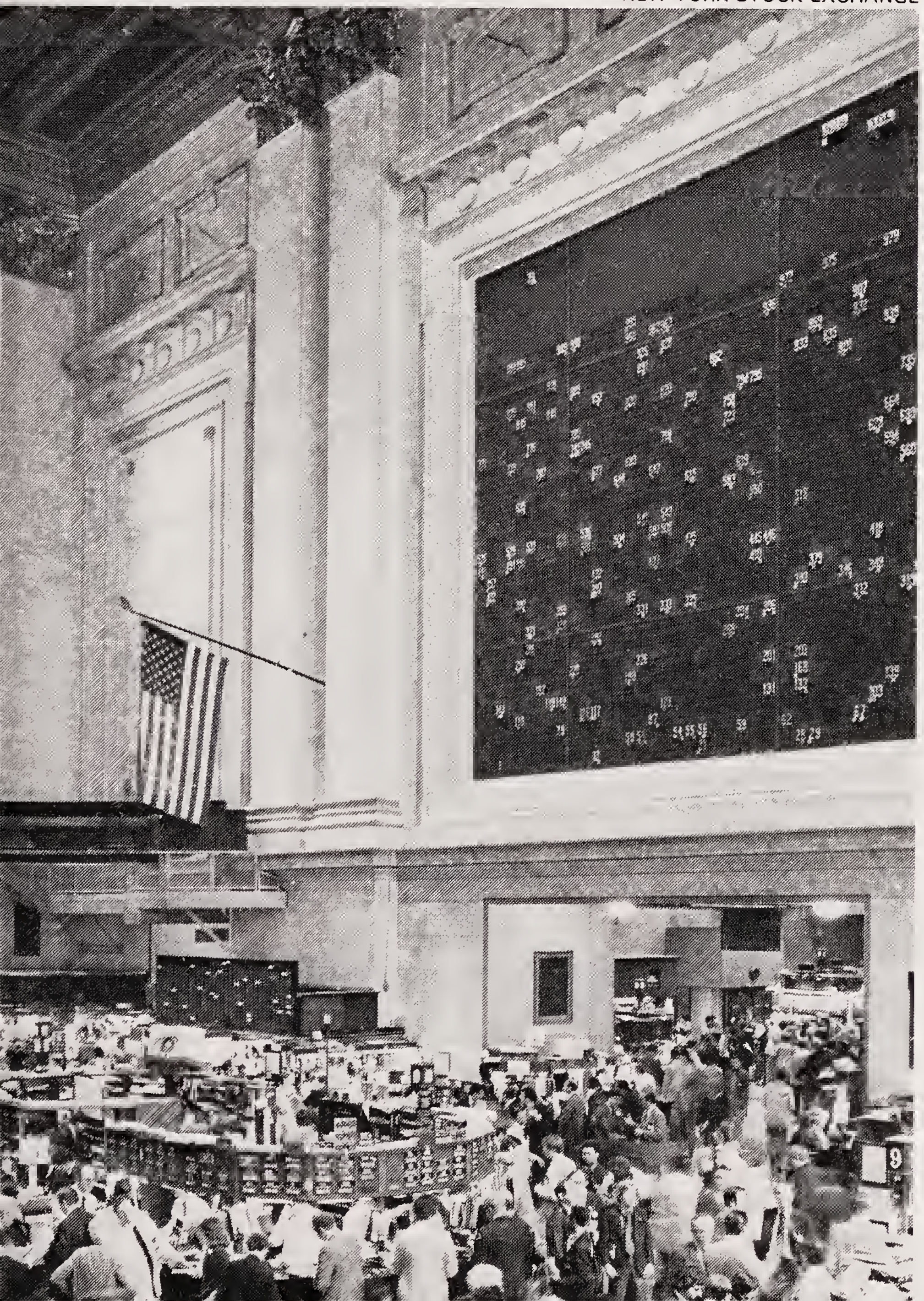
The three major types of bonds are corporate bonds, municipal bonds, and U.S. Government bonds.

Corporate bonds. Corporations issue corporate bonds to obtain working capital. The quality, interest rates, and yields of corporate bonds vary with the financial soundness of the issuing corporation. Yields also move up and down as market interest rates change.

Municipal bonds. Municipal bonds are issued by state, county, and city governments, 14-2. Interest rates and yields on municipal bonds depend on market interest rates and

14-1 Many securities are sold through stock exchanges.

NEW YORK STOCK EXCHANGE



UNITED AIRLINES

14-2 A city may issue municipal bonds to pay for building and maintenance projects.

the financial soundness of the issuing government. One advantage of these bonds is that the interest they earn is exempt from federal income taxes. The interest may also be exempt from state and local taxes.

U.S. Government bonds. These bonds are issued by the federal government. They are the safest bonds you can buy. Treasury Bills, Treasury Notes, and Treasury Bonds are types of U.S. Government bonds. Interest rates go up and down with market interest rates. However, the rate on the day you buy a bond is the rate you will be paid when the bond reaches maturity.

The most actively traded U.S. Government bonds are *Treasury Bills* (T-Bills). They are usually issued in maturities of 3, 6, and 12 months at a minimum investment of $10,000. *Treasury Notes* are issued in maturities of 2 to 10 years beginning at a minimum investment of $1000. *Treasury Bonds* have longer maturity dates, ranging from 10 to 25 years. They may be bought for $1000.

U.S. Savings Bonds are also government securities. Series EE bonds sell for $50 to $10,000. When held at least five years, these bonds pay variable interest rates. Interest rate is adjusted every six months to equal 85 percent of the average market yield on five-year Treasury securities.

Buying stocks and bonds

When buying stocks or bonds, it is important to evaluate the financial position of the issuer. Sources of information to help you include financial publications, financial pages in newspapers, companies' annual reports, investment firms, and stockbrokers.

As you evaluate information, first look for companies in industries that are financially stable. Then look for a company that does well within its industry—one with a fair share of the market and with plans for increasing its share.

When evaluating a particular company, look for a steady increase in earnings over a five to six year period. Also, determine the company's price earnings ratio. To do this, divide the current price of one share of stock by the amount of earnings per share. The lower the price earnings ratio, the better the investment is considered to be. Therefore, stocks that sell at five to ten times their earnings are considered better investments than stocks selling at 20, 30, or 40 times their earnings.

Then check the assets, operating capital, and dividends of the company. Unless the company is undergoing extensive growth, its assets should be higher than or at least equal to its liabilities. The company should have an adequate cash flow so it will not have to sell bonds and pay interest to bondholders. Dividends should be steady and reliable except during times of growth when earnings are used for expansion.

Mutual funds

A *mutual fund* is a company that uses the money it receives from investors to buy securities from corporations and governments. Mutual funds may also be called investment companies or investment trusts. If you buy shares in a mutual fund, you automatically become part investor in all the companies included in the fund. The two basic types of mutual funds are open-end funds and closed-end funds.

Most mutual funds are *open-end funds.* This means the fund issues new shares when an investor wants to buy into the fund. It also buys back shares when an investor wants to sell. Therefore, the number of shares outstanding varies. The price of a share, called the *net asset value,* is determined by dividing the net assets of the mutual fund by the number of shares outstanding. When shareholders sell their shares back to the fund, they are paid the current net asset value for each share.

Most open-end funds charge a commission to cover distribution and handling costs. Funds with no commission charges are called *no-load funds.*

A *closed-end fund* differs from an open-end fund because it has a fixed number of shares for sale. Usually, the shares in a closed-end fund are traded on stock exchanges and are bought and sold through investment brokers, not through the investment company.

Different mutual funds invest in different securities. A company may buy all balanced funds, growth funds, or specialized funds. *Balanced funds* are investments in a variety of securities—common stock, preferred stock, and bonds. They provide a safe investment with dividend income. *Growth funds* are investments in common stocks with growth potential. Emphasis is placed on growth of the principal instead of dividend income. *Specialized funds* are investments in securities of certain industries, such as all computer companies, or in certain types of securities, such as all common stocks or corporate bonds.

Investing in a mutual fund has three main advantages. Mutual funds are managed by professional investors. Mutual funds allow you to invest in a variety of securities rather than just the one or two you might be able to afford as a single investor. This reduces the risk of loss. And mutual funds are very marketable. They may be bought or sold at any time.

Money market funds

A *money market fund* is a type of mutual fund that deals only in high interest, short-term investments. These investments include U.S. Treasury Bills, certificates of deposit, and commercial paper. (Commercial paper is a short term note issued by a major corporation.) Interest rates on money market funds go up and down with money market rates. The funds are managed and sold by mutual funds, brokerage firms, and other financial institutions.

Investing in money market funds has many advantages. These funds can provide small savers with high yields. They can be liquidated (cashed in) at any time since they have no term. They can be used as collateral for loans. Most money market funds offer check cashing privileges.

Money market funds have some disadvantages, too. The rate paid on money market funds changes daily. If money market rates drop, so does the rate of return. Money market funds are not federally insured. A minimum investment of $1000 or more is usually required. If the funds are not purchased through the firm or company operating the fund, fees are usually charged for making deposits and withdrawals.

Investing in mutual funds and money market funds

The rule, "investigate before you invest," applies to mutual funds and money market funds just as it does for individual securities. Begin the investigation by reading a fund's prospectus. A *prospectus* is a document that describes the fund and its profit expectations. It also explains how the fund operates.

Before buying shares in a fund, answer the following questions.

What are your investment objectives? Are you most interested in investment growth, steady dividends, or the safety of the principal? How and when do you expect to use the earnings—for college, life's extras, or retirement income? Look for the fund that best meets your objectives.

How is the fund managed? What experience and qualifications do those who manage the fund have? What are the investment policies, philosophies, and objectives of the mutual fund? Do they agree with yours?

What is the investment record of the fund over the last five years? How does the fund's performance compare with other funds? How does it compare with other investments?

What securities does the fund hold? Will the holdings help you meet your investment goals?

What is the market price of the fund? Will you pay a commission to buy shares in the fund? Will you have to pay a fee to sell? If so, are comparable funds available without paying a commission?

REAL ESTATE

Buying real estate is another way to invest for future profit. An investment in real estate is an investment in land or building property, 14-3. This type of investment usually requires a large amount of money right away and a long-term mortgage commitment. The investment may bring big returns. On the other hand, considerable risk may be involved. Buying real estate for investment purposes is not for amateurs.

Before investing in real estate, buyers need to know about property values and property management. They also need to learn about mortgages, down payments, taxes, titles, and insurance. If you have a large amount of money to invest for a long period of time, carefully selected real estate may be a very profitable investment. Here are some guidelines related to real estate investments.

Know property values in the area. Is the value of the property likely to stay stable or go up? Is the area economically sound? Do zoning laws permit the use you want to make of the land?

Estimate costs of buying and owning. What is the purchase price? What will you pay for the mortgage, taxes, and maintenance? Figure the initial expenses as well as the ongoing monthly and yearly costs.

Estimate the income from the property. If you buy rental property, what rental income can you expect? What is the outlook for constant rental? What tax advantages can you expect?

Find reliable professionals to represent you. In most cases, you will need a real estate agent and a lawyer when investing in property. Be sure both are honest, experienced professionals who will look after your interest. The real estate agent will help you find suitable investment property and arrange for the purchase. Some agents will also help you manage rental property. A lawyer will review the legal documents involved and make sure the transaction is carried out according to the law. A lawyer will also represent you at the closing of the purchase.

A BUSINESS OF YOUR OWN

Going into business is another way to invest your money and your talents for profit and income. However, starting a business is risky. Thousands of small businesses fail each year.

If you are willing to invest your money, time, and energy into one project, starting your own business may be right for you.

To succeed in a business of your own, you need to have previous work experience in the service or product you plan to sell or produce. You need to know how to manage a business, sell your goods and services, and deal with customers and suppliers. You need to keep financial records accurately and know the legalities involved in running a business. You also need enough money to get started and to operate until the business begins to pay for itself.

To establish your own business, you will probably need to work long and hard. Unfortunately, there is no sure income, no assurance of success, and very little financial security when you first begin. Fortunately, for those who succeed, the rewards are great. They include not only income and profits, but also independence and personal satisfaction.

PLANNING YOUR EDUCATION

Formal education or job training after high school may be your first major investment in your future. It often pays more than any other investment you can make. The returns can come in the form of higher earning power, better job opportunities, greater job satisfaction, and richer, fuller living.

Most people step into the work world at some point in their lives. Many remain there for most of their adult lives. After one year on the job, you will have worked about 250 days or 2,000 hours. After 40 years on the job, you may have spent as much as 10,000 days or 80,000 hours working. This is far too much of your lifetime to spend doing work you don't like. Therefore, preparing for work that will bring you satisfaction is certainly a worthwhile investment. See 14-4.

Education and career goals

To make the best investment in yourself, you need a clear view of your immediate, continuing, and future life goals. What is important to you? What do you want to achieve in your lifetime? You also need a clear view of your interests, abilities, and aptitudes. What interests you? What skills do you have? What do you do well?

Take some time to think about your answers to the previous questions. Then try to relate your answers to questions you have about your future in the work world. What type of work appeals to you? Do you want a career that offers glamour and adventure? Is job security important to you? Do you want an opportunity to use special skills and talents? Do you want a job that offers a chance for advancement? Do you want to work in a certain location?

Think long and hard about your career goals. The work you choose will determine, to a large extent, the way you live, the people you meet, the money you earn, and the satisfaction you get out of work and life. Then try to decide what will be best for you—a college degree, occupational training, an apprenticeship, military service, work experience, or a combination of these.

A college education

If you are considering college, why do you want to go? What do you want to study? Which colleges could help you achieve your education goals? Here are some factors to consider when choosing a college.

What is the reputation of the school? Will you be able to get adequate or superior training and education in your chosen field? Accreditation is often linked with reputation. Is the college accredited by one of the accrediting associations recognized by the Council on Post Secondary Accreditation?

Can you meet the requirements for admittance to the college?

What will you have to pay for tuition, room and board, living expenses, recreation, and transportation? (The *Information Please Almanac* lists the average annual costs of accredited U.S. colleges and universities.) Are scholarships, grants, loans, or work-study programs available to help students pay for their college expenses?

Where is the college located? If it is far from your home, would transportation be a problem? How large is the college? Would you be more comfortable attending a large, small, or medium-size college?

Are the instructors well qualified? What is the ratio of faculty members to students?

What type of students attend the college? Is the college oriented more toward academics, athletics, or social activities? Is the atmosphere formal, casual, fun, or serious? Is

THE PLAZA
ON DEWITT
CONDOMINIUM
AMERICAN INVS. CO.
MANAGEMENT INC.

14-3 Some investors buy condominiums as an investment and lease them to renters. Later, they may sell them to make a profit.

SAVINGS & LOAN NEWS

LAKE FOREST COLLEGE, IL

student housing available? If so, do most students live on or off campus? Are most of the students in-state residents or out-of-state residents?

To find out which colleges offer what you want, begin by talking with a guidance or career counselor. A counselor can help you review catalogs from various colleges. From

RAFFALSON

14-4 Most people will spend 80,000 hours of their time working. Therefore, it is important for you to choose a career that will be satisfying to you.

the catalogs, you can learn about the colleges and the fields of study they offer. The counselor may also be able to suggest other sources of information about colleges and universities.

Be sure to participate in college orientation programs, recruiting programs, and career days at your school or in your community, 14-5. Also talk with students and graduates of colleges that interest you. If possible, visit any college that you are seriously considering. Arrange to tour the campus and meet with an admissions representative.

An occupational education

Occupational training prepares a person for employment in a specific field. Generally, this type of education requires a smaller investment in time and money than a college education. An occupational education may be right for you if:

- You prefer concrete, practical application of your skills and talents.
- You already have narrowed your job goals to one subject or occupation.
- You want to complete formal training as soon as possible so you can start working and earning your own way.

Many types of occupational schools and programs exist. You can receive occupational training from the following sources.

Private or proprietary occupational schools are privately owned and run for profit. Since their continued success depends on satisfying students, their training programs generally meet high standards. However, the training, equipment, and facilities vary greatly among the thousands of proprietary schools in the country. It pays to check a school carefully before enrolling.

Most community colleges are open to all who want to take the courses they offer. Both occupational training and academic courses are usually available, with emphasis on preparation for employment. Depending on the courses students take, they may be able to transfer from a two-year college to a four-year university for a degree program.

CAREERS for A Changing World
I need
BUSINESS EDUCATION
to become a/an:

NORTHERN TRUST CO.

14-5 Attending career fairs and college orientation programs can help you choose the educational training that is right for you.

Adult education programs are offered in many communities. Both occupational training and academic courses may be offered, often in "night school" settings. These programs may be an "extension" of a nearby college or university, or they may be sponsored by local boards of education or a YMCA or YWCA. Course offerings vary greatly in different areas.

Correspondence or home study programs are offered by some colleges and by private correspondence schools. Students fulfill the course requirements at home and mail their work back to the school for evaluation and course credit.

Some large companies offer specialized training programs for prospective employees. These courses are designed to prepare students for operating specific equipment or developing specific skills.

Since the quality of occupational education varies from source to source, it pays to investigate a training program carefully before you enroll. Check the reputation of the program and the quality of education you will receive. Find out if the program has state licensing or the approval or accreditation of industry or educational agencies. Ask for the opinions of former students and prospective employers.

Question school representatives about course offerings, qualifications of faculty members, class size, and entrance requirements. Also ask how many students are usually placed in jobs at the end of a training period.

Research the costs of tuition, equipment, supplies, fees, and any extras. Know what you will be getting for your money. Ask to see the equipment and facilities available for student use. Ask about the length of training programs or courses. Find out how much time you will need to devote to class attendance and class work. Check the policies on transferring course credits and refunding money for non-completed courses.

Finally, be sure you understand all the terms of any agreement or enrollment contract before you sign it.

Apprenticeships

An apprenticeship is a type of education that combines classroom study, on-the-job training, and work experience. About 350 apprenticeships are registered in the U.S. Bureau of Apprenticeship and Training, a division of the U.S. Department of Labor. They range from auto mechanics to wood carving.

An apprenticeship may be right for you if you like to work with your hands. You should also want to learn a specific craft and be willing to aim at excellence in the craft of your choice. Here are some of the advantages of learning through an apprenticeship:

- Pay and job benefits from day one.
- Training and instruction from experienced tradespeople.
- Improved opportunities for employment, advancement, self-employment, and higher earnings.

Armed Forces

Getting the education or training you want through a branch of the Armed Forces is another education alternative. This type of education has advantages and disadvantages.

One advantage of the Armed Forces is the variety of educational opportunities that are available at little or no cost to the student. Possibilities include occupational training as well as college education, 14-6. Students can take courses and training by correspondence, through on-the-job experience, or in classrooms on military or non-military campuses. In addition, each branch of the military operates a service academy where students can earn college degrees.

The Armed Forces pay generous salaries and benefits. The benefits include paid vacations, paid health care programs, free housing, and opportunities for travel and advancement. People in the military also have use of social and athletic facilities as well as PX privileges. The PX (Post Exchange) is the store on a military base that sells groceries and goods at low prices.

The benefits continue after people leave the service or retire. Veterans' benefits include financial aid for additional education or training, medical benefits, home loan guarantees, and low-cost life insurance. Retirement benefits permit members of the Armed Forces to retire after 20 years of service and receive 50 percent of their pay for life.

One of the disadvantages of joining the service is the possibility of physical danger. In the event of war, civil disturbances, or national emergencies, members of the Armed Forces are among the first at the scene of trouble.

In addition, the military leaves very little room for individuality. Following orders is an essential part of military life. People in the military wear what they are told, do what they are told, and go where they are told. They must be ready to accept transfers whenever they come and to go wherever they are sent.

Once a person joins a branch of the military, that person must stay for two, three, four, or six years or until the end of his or her contract. Even if the going gets tough, a person cannot drop out or resign before the end of his or her term of service.

The advantages of the military may outweigh the disadvantages for you if:

- You do not know what you want to do and are willing to accept service life for a few years.
- You work well with others.
- You can take orders and conform to a routine.
- You want education and training beyond high school but cannot afford to pay for it.
- You feel a need for outside direction and discipline.

Paying for education

You have to spend money to make money in investments. Education is no exception. College education and some job training programs cost thousands of dollars. Deciding just how much you can afford to invest requires careful thought. Here are a few steps to guide you in financing your educational future.

U.S. DEPT. OF NAVY

14-6 The Navy and other branches of the Armed Forces offer a variety of educational opportunities and training programs.

1. Estimate the cost of attending the colleges or occupational schools you are seriously considering.
2. Estimate the resources you have for education including savings, investments, student earnings, and available family income for schooling.
3. Measure estimated costs against estimated resources to determine how much additional money you need for the opportunities you want.
4. Consider ways to cut costs without sacrificing important goals and objectives for your future.
5. Search for additional resources—scholarships, grants, loans, and earnings—to help finance your education.

Take these steps one by one, starting with estimating costs. Figure expenses for each year. Add to that amount six or seven percent for each year you expect to be in school. This is to cover rising costs due to inflation.

List your fixed expenses first—tuition, fees, room, and board. Then estimate the costs of:

- Meals and snacks.
- Books, equipment, and supplies.
- Travel to and from school.
- Clothing and clothing care.
- Health and grooming aids.
- Recreation and entertainment.
- Health care and insurance.
- Miscellaneous costs.

Next, estimate resources for education. At this point, the family may want to sit down together and figure out just how much money is available for education. The amount available will depend on the family income, financial assets and liabilities, and the number of family members who need money for education.

Also consider the future earning power of the family. In many families, a parent who has not been employed when children are young returns to a job when youngsters enter high school or college. This can give family income a much needed boost for paying college costs. Students who plan ahead can contribute significantly themselves to paying for education. Money from summer jobs and part-time work during the school year can grow to helpful amounts with careful saving and investing.

Then determine how much money will be available for each year of education or training you need. If you are short on money, there are ways to narrow the gap.

Find out if course credit can be earned by taking college level examination tests. By passing these tests and earning college credits, you might be able to finish school earlier and spend less money for education.

Consider attending a state college or university in your state. In-state residents pay less for a college education at state-supported schools than they pay at private schools or at state schools located in other states.

Consider living at home and commuting to school instead of living in campus housing. Or consider commuting to a community or junior college for two years. Then you could transfer to a four year college and live in a dorm for two years.

Investigate cooperative work-study programs. A number of colleges offer work-study programs in which you can earn up to half of your college costs while going to school, 14-7.

Find additional resources for college. Financial aid for education comes from a variety of sources, including colleges, federal and state government programs, and scholarships from private sources.

If you plan to apply at a school or college, ask the school to send you information and application forms for student scholarships, loans, and work-study programs. This information will help you determine if you qualify for any college or government financial aid programs. To qualify for financial aid, you must usually prove you have a financial need. Therefore, most application forms will ask for a statement of your family's finances. On this statement, you will be asked to list all family assets, liabilities, and earnings. Your financial need will be determined by this information.

Financial aid is also made available through athletic and academic scholarships which are not usually based on need. Sources for these scholarships include:

- National programs such as the National Merit Scholarship Program and the National Honor Society Scholarship Program.
- Companies and corporations offering aid to dependents of employees.
- Labor unions offering aid to dependents of members.
- Fraternal organizations offering aid to dependents of members.
- Community service organizations offering aid to students in the community.
- Veterans organizations offering aid to dependents of members.
- Churches and religious organizations.
- Youth organizations and clubs.

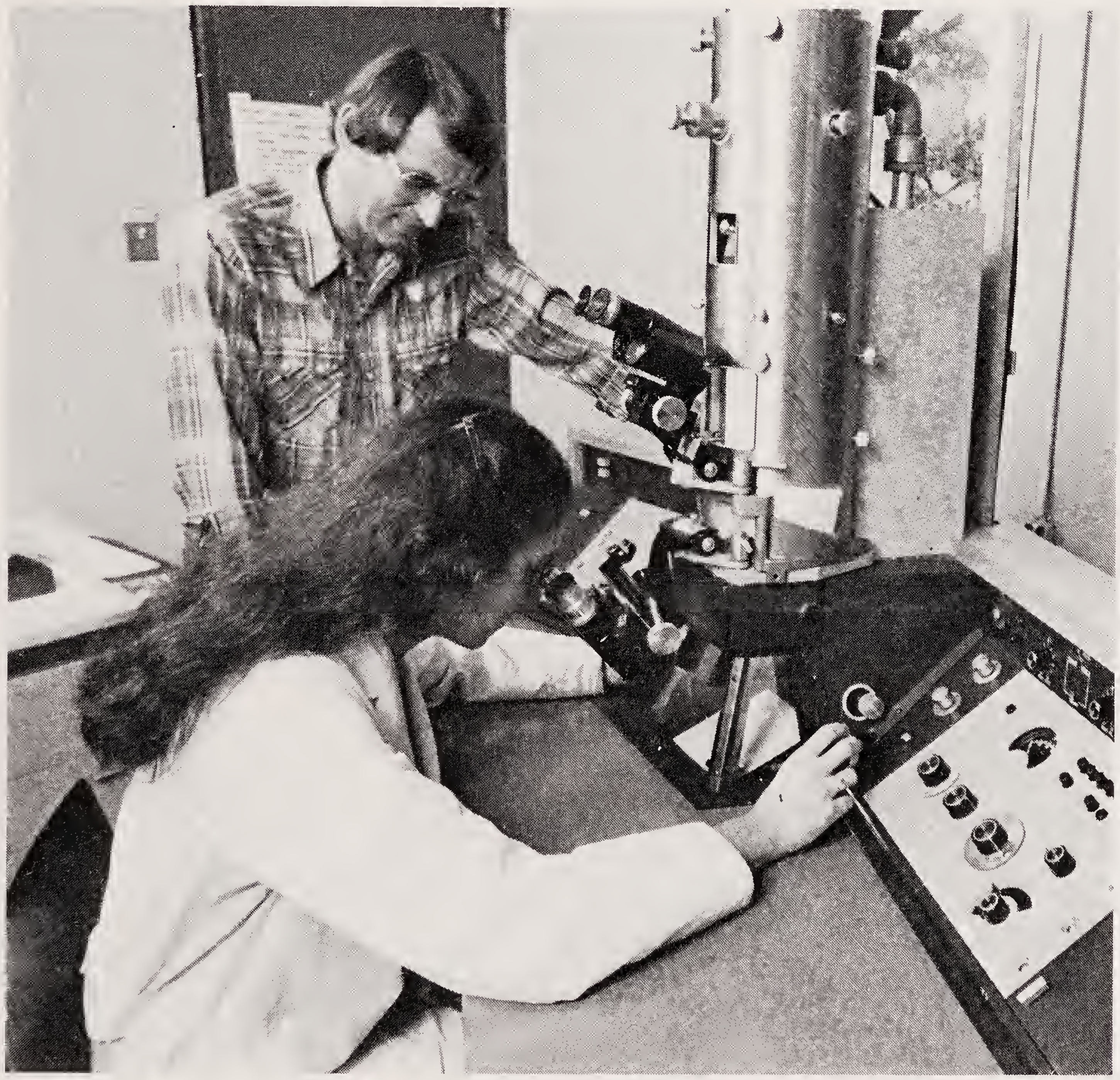
Applying for financial aid may be time consuming, but it can be well worth your effort. Remember to apply early and prepare your applications carefully.

BUYING LIFE INSURANCE

Your life-style in later years will depend largely on the financial planning you do early in life. Insurance should be a part of your financial plan. It can help provide financial security for you and your family.

The main purpose of insurance is to provide protection against financial losses. Life insurance protects against the loss of income due to death. The more financial responsibilities you have, the more important it is for you to have insurance. Life insurance is especially important if you have a spouse, children, or elderly parents who depend on your income.

When you buy an insurance policy, you become a *policyholder.* As a policyholder, you pay a set amount of money, called a *premium,* to the insurance company on a



LAKE FOREST COLLEGE, IL

14-7 This student is a biology major. She works part-time in the biology laboratory to help pay her college expenses.

regular basis. The premiums you and other policyholders pay are invested by the company to earn money. The money that is earned is used to pay insurance claims, 14-8. When a life insurance policyholder dies, the face value of his or her policy is paid to the beneficiary. The *beneficiary* is the person named by the policyholder to receive the death benefit.

Types of insurance

The two basic types of life insurance are whole life insurance and term insurance. Each type is available in different forms and combinations with different benefits. Therefore, life insurance policies can be tailored to meet your specific needs. Policies can also be revised as your life-style and financial situation change.

Whole life insurance. This type of insurance provides protection for a lifetime. It also provides savings. As you pay premiums, your policy builds up a cash value. You can borrow against this cash value at any time.

For a whole life (also called straight life) policy, you may pay premiums throughout your life. Or at some point you may decide to cancel your policy and stop paying premiums. In this case, you would have three options. You could use the cash value to buy a reduced amount of paid-up whole life insurance. You could use the cash value to buy a reduced amount of paid-up term insurance. Or you could collect the cash value of the policy.

Whole life insurance has been called the "when" protection. It pays when you die or when you turn it in for its cash value.

A *limited payment policy* is a variation of whole life insurance. With a limited payment policy, you pay higher premiums, but for a limited number of years. By paying higher premiums, you can stop paying premiums after a certain number of years (perhaps 10, 20, or 30) and still receive full coverage for life. As with whole life, your policy will build up a cash value. In fact, the cash value will increase faster since you will be paying higher premiums.

Endowment insurance is a form of limited payment life insurance. It is bought for a set period of time—usually 10, 20, or 30 years. At the end of that period, the cash value of the policy is paid to the policyholder. If the policyholder should die before the end of the endowment period, the death benefit is paid to the beneficiary. Premiums for endowment policies are higher because the cash value builds up faster.

Term insurance. Term insurance provides protection for a set period of time—5, 10, or 20 years or for whatever term specified in your policy. This type of insurance is pure protection; it builds no cash value. That is why premiums for term insurance are lower than those for whole life insurance.

Term insurance is often called the "if" protection. It pays benefits only if you die during the term of the policy.

If you are considering term insurance, check to see if your policy is renewable or convertible. A *renewable option* lets you renew your policy at standard rates, regardless of any change in your health. Without this option, you would not be able to renew the policy at regular rates if your health declined. A policy with a *convertible option* lets you switch from term insurance to whole life insurance at standard rates, regardless of the state of your health.

Annuities

Annuities are sold by insurance companies and may be a part of an overall insurance program. The main purpose of life insurance is to provide income for beneficiaries or survivors of the policyholder. The main purpose of an annuity is to provide income for the policyholder until death.

An annuity can be bought in one lump sum or in regular payments. In return for this sum of money, the insurance company will pay a stated monthly or yearly income for a set number of years or for life. Payments usually begin when the policyholder retires.

Selecting the protection you need

The right life insurance coverage for one person or family may be wrong for another. Finding the type and amount of protection that will work best for you requires careful planning. Consider the following questions when you are ready to shop for life insurance.

How much insurance protection can you afford? Your answer will depend on your income, living expenses, and other financial obligations. The premiums you pay for life insurance are based on the type and amount of coverage you buy and your age and health at the time of purchase. The younger you are when you buy life insurance, the lower your premiums will be. However, if you buy when you are young, you will pay premiums for a longer period of time.

Is group life insurance available to you? This insurance provides protection to employees of companies or members of professional organizations or labor unions. Each member of the group receives a certificate describing the protection. Premiums may be paid by the employer or organization, by the insured members, or by both. Sometimes there is a *conversion clause* in a group policy. This clause permits persons who leave the group to convert to individual coverage without a medical examination. Premiums for group life insurance are generally lower than those for individual policies.

Who depends on your income? How old are your dependents, and what are their needs? Dependents may include aging parents or invalid relatives as well as a spouse and young children. Their ages and financial needs will help determine what type and amount of insurance to buy.

How much money would your dependents need to maintain their standard of living without your income? How long would they need the money? When others depend on your income, it is desirable, if possible, to leave enough money to take care of their needs. Ideally, money would be left to cover major obligations such as a home mortgage, everyday living expenses, and major future expenses such as college education for children. See 14-9.

What other sources of income, such as social security benefits, savings, earnings of dependents, or employee benefits, would be available for dependents? You want enough life insurance to fill the gap between what is available from other sources and what your dependents would need.

What benefits do you want to add to a basic policy? For additional premiums, various benefits can be added to a policy to meet your

WASHINGTON NATIONAL INSURANCE CO.

14-8 Insurance is based on the idea of shared risks. Policyholders pay life insurance premiums to protect themselves against the loss of income due to death.

specific needs. A *guaranteed insurability benefit* allows the purchase of additional insurance regardless of changes in your health. An *accidental death benefit* pays an additional benefit in case of death by accident. A *disability benefit* waives premiums if the insured person becomes disabled. Other benefits are also available. Talk with your agent about those that would fit your needs.

How much cash would be needed to pay your burial costs and unpaid debts? Even if you are single with no dependents, you may want enough life insurance to take care of these costs. Then your financial obligations will not become the responsibility of your parents or other relatives.

How does life insurance fit into your overall plan for future security and eventual retirement? Future financial security depends on the right mix of savings, insurance, and investments. If you plan to use insurance as a form of savings, be sure to compare the earnings on insurance policies with those on other forms of savings and investments.

Choosing a company and an agent

In the United States, there are hundreds of life insurance companies and thousands of agents. Finding the right company and agent requires more thought than a "walk through the Yellow Pages."

Choose a company that is respected by

14-9 When the breadwinner of this family died unexpectedly, the family was unable to make home mortgage payments because they were not adequately insured. Therefore, they had no choice but to sell their home.

MONY

other insurance businesses, by its policyholders, and by people in financial fields of work. Check to see that the company has a reputation of settling its claims fairly and promptly. Also check to be sure that the company is licensed to operate in your state.

Research the financial soundness of insurance companies by reading *Best's Insurance Guide* which can be found in most public libraries. Companies that are rated "most substantial" and "very substantial" are financially stronger than others. Annual reports from insurance companies also reveal their financial strength.

Take a close look at the policies from various companies. Buy from a company that offers policies with the special benefits and options that are important to you.

Be sure to compare the premiums charged by different companies for the same types and amounts of coverage. If you are considering whole life insurance, compare the cash value accumulation rates.

Choosing a life insurance agent is also an important decision. Very often, the agent is the key to the quality of service you will receive, 14-10. Therefore, choose an agent who can clearly explain the different types of life insurance coverage and benefits that are available. A good agent will advise you honestly about the type and amount of coverage you need for the amount you can pay. He or she will also help you evaluate your coverage as your needs and finances change. A responsible agent will process policy revisions and claims promptly.

Once you have chosen a company and an agent, you are ready to select a policy. Talk honestly with your agent as you discuss your insurance needs. After you buy a policy and it is delivered to you, review it carefully. Be sure the policy you are given is the one you chose. If the policy does not meet your expectations, most companies will allow you to return it within ten days without obligation. As you review the policy, check to see that it states the following:

- Name of the company.
- Name of the insured and the beneficiaries.
- Type of coverage.
- Amount of coverage and benefits.
- Amount and due dates of premiums.
- Terms for borrowing money against accumulated cash value, if applicable.

INSURANCE INFORMATION INSTITUTE

14-10 Choose a life insurance agent that you can trust to help you select the life insurance coverage you need.

- Schedule of cash value accumulation, if applicable.
- Benefits and options of the policy.

Be sure to ask questions about any terms, provisions, or sections you do not understand.

Case studies

LIFE INSURANCE FOR PEGGY

Peggy is 21 years old. She has a good job as an assistant editor. She is single with no dependents and no plans for marriage. Both Peggy's parents are living. Peggy owes $150 on a credit card and $1500 on a car loan. These are her only financial obligations other than her apartment lease.

What would you advise Peggy to do about life insurance? Do you think she needs life insurance? If so, should she buy whole life or term insurance? How much coverage should she buy? Should she make other investments? Why or why not?

When Peggy is 24, her father dies. His retirement funds leave just enough money for her mother to be able to make ends meet. Her mother could become Peggy's dependent if she outlives her source of income. What changes would you make in Peggy's insurance and investment program now? Why?

When Peggy turns 28, her situation changes again. She marries Tim who is a computer programmer. Tim is 30 years old and has no dependents. Peggy's mother's situation remains the same. Peggy is still working for the same company and has been promoted to senior editor. Peggy and Tim plan to have children later, and Peggy plans to continue working. What type of insurance and investment program would you recommend for Peggy and Tim now? Why?

At age 30, Peggy has a baby girl. Two years later, she has a boy. She is working part-time until the children reach school age. This reduces her income temporarily. Peggy and Tim want the best of everything for their children. They want to set aside money for the children to go to college and to travel when they are older. Peggy and Tim want all of this to be possible for their children even if something should happen to either or both of them. What insurance and other financial planning would you recommend for Peggy and Tim now? Why?

When Peggy and Tim reach their mid 40s, the children are in high school and will be starting college in three and five years. Peggy's mother is in a nursing home, and Peggy pays most of the bills. Both Peggy and Tim are working and are at the peak of their careers. They expect their salaries to remain fairly stable during the remaining 20 years at work. What insurance and other financial planning would you recommend for Peggy and Tim at this stage? Why?

When Peggy and Tim are in their mid 50s, both children have graduated from college, and Peggy's mother has died. Peggy and Tim are beginning to turn their attention to travel and retirement. What changes do you recommend for their insurance and investment program? Why?

LIFE INSURANCE FOR ED

Ed is 18 and just out of high school. After receiving advanced training in auto mechanics while in high school, Ed is now taking a night course in small business management. He hopes to become part owner of a local service station where he worked part-time during high school.

Ed has no dependents. His parents are young, and both of them work. He is engaged to Mary Ann who is also 18. They plan to marry as soon as Ed becomes part owner of the service station. Ed has already talked to the bank about the business loan he needs to buy the station. He has inherited $5000 from his grandmother, and his father has agreed to cosign the loan for the additional money.

Eighteen months later, Ed and Mary Ann marry. Ed works as an auto mechanic and helps manage his service station. Mary Ann works as a beautician. Out of their combined income, Ed and Mary Ann have to repay Ed's business loan and a $600 used car loan. They have no other current obligations. But they do hope to buy a home and start a family as soon as they can afford to do so. What type of insurance, savings, and investment program would you recommend for Ed and Mary Ann? Why?

When Ed and Mary are 22, business is going well, and they buy a small home. A year later, their first child is born, and three years later, their second. They now have two dependents, a home mortgage, and the remainder of the business loan to repay. Mary Ann is no longer working. What recommendations would you make concerning their insurance and investment program at this stage of their lives? Why?

By their late 30s, Ed and Mary Ann have three children, ages 8 to 17. Ed has repaid his first business loan and has borrowed again to buy out his partner. They have moved to a larger house, increasing their home mortgage debt. Mary Ann works part-time. They are slowly repaying their loans and are trying to save money for the children's education. They want to offer each child at least two years of college or training after high school. Ed also wants to be sure the family can manage if something should happen to him.

What type of insurance, savings, and investment program would you recommend at this stage for Ed and Mary Ann? Why? Assuming that they pay off their debts and pay for the children's education, how might Ed and Mary Ann revise their financial planning to provide for retirement needs?

LIFE INSURANCE FOR JUANITA

Juanita is 24, single, and living at home with her widowed father and younger brother. Since her father is retired, he receives only social security benefits and a small pension. Therefore, Juanita is helping to pay for her younger brother's college education.

Juanita earns a good salary as a nurse and has excellent fringe benefits. Since the family home mortgage has been paid, taxes, maintenance, and insurance are the only housing expenses they have. Soon Juanita's brother will be on his own, and he will begin contributing to the family's income.

What type of insurance, savings, and investment program would you recommend for Juanita? Why? Describe three possible changes that could occur in Juanita's life that would call for major revisions in her financial planning. Outline revisions you would recommend for each change.

to Know

annuities
common stock
corporate bonds
money market funds
municipal bonds
mutual funds
preferred stock
prospectus
securities
term insurance
U.S. Government bonds
whole life insurance

to Review

1. Securities represent either ownership or ___________.
2. What is the difference between a bond and a stock?
3. If you buy a bond for less than its face value, will your yield of interest be higher or lower?
4. Name five factors you should consider about a company before buying any of its stock or bonds.
5. What are the advantages of investing in a money market fund?
6. What do buyers need to know before investing in real estate?
7. What returns might you receive by investing in education or training beyond high school?
8. Name at least six factors to consider when choosing a college.
9. What is occupational training? Where can a person receive occupational training?
10. Name three advantages and three disadvantages of getting an education through the Armed Forces.
11. How might you reduce educational expenses?
12. True or false. The more financial responsibility you have, the more important it is for you to have life insurance.
13. What is the difference between whole life insurance and term insurance?
14. Why is it best to have a renewable option if you have term insurance?
15. What is the difference between life insurance and an annuity?
16. What are the key questions to consider before you buy life insurance?

to Discuss

1. If you were going to invest money in stocks, would you buy common stock or preferred stock? Why?
2. What are the three major types of bonds? How do they differ? In which type of bond would you prefer to invest your money?
3. What are the advantages of investing in a mutual fund?
4. What should you consider before buying shares in a mutual fund or a money market fund?
5. What does a person need to have to be successful when beginning his or her own business?
6. What should you consider when trying to set career and job objectives and make decisions about your future?
7. What are some of the advantages of learning a trade through an apprenticeship?
8. What are some of the private sources that often make educational scholarships available to students?
9. Name and describe some of the life insurance benefits that can be added to a basic policy.
10. What factors should you consider when selecting a life insurance company and agent?
11. What information should be stated clearly on a life insurance policy?
12. How do life insurance needs change with:
    a. Increased income?
    b. Marriage?
    c. Dependents?
    d. Age?
    e. Increased financial obligations?

to Do

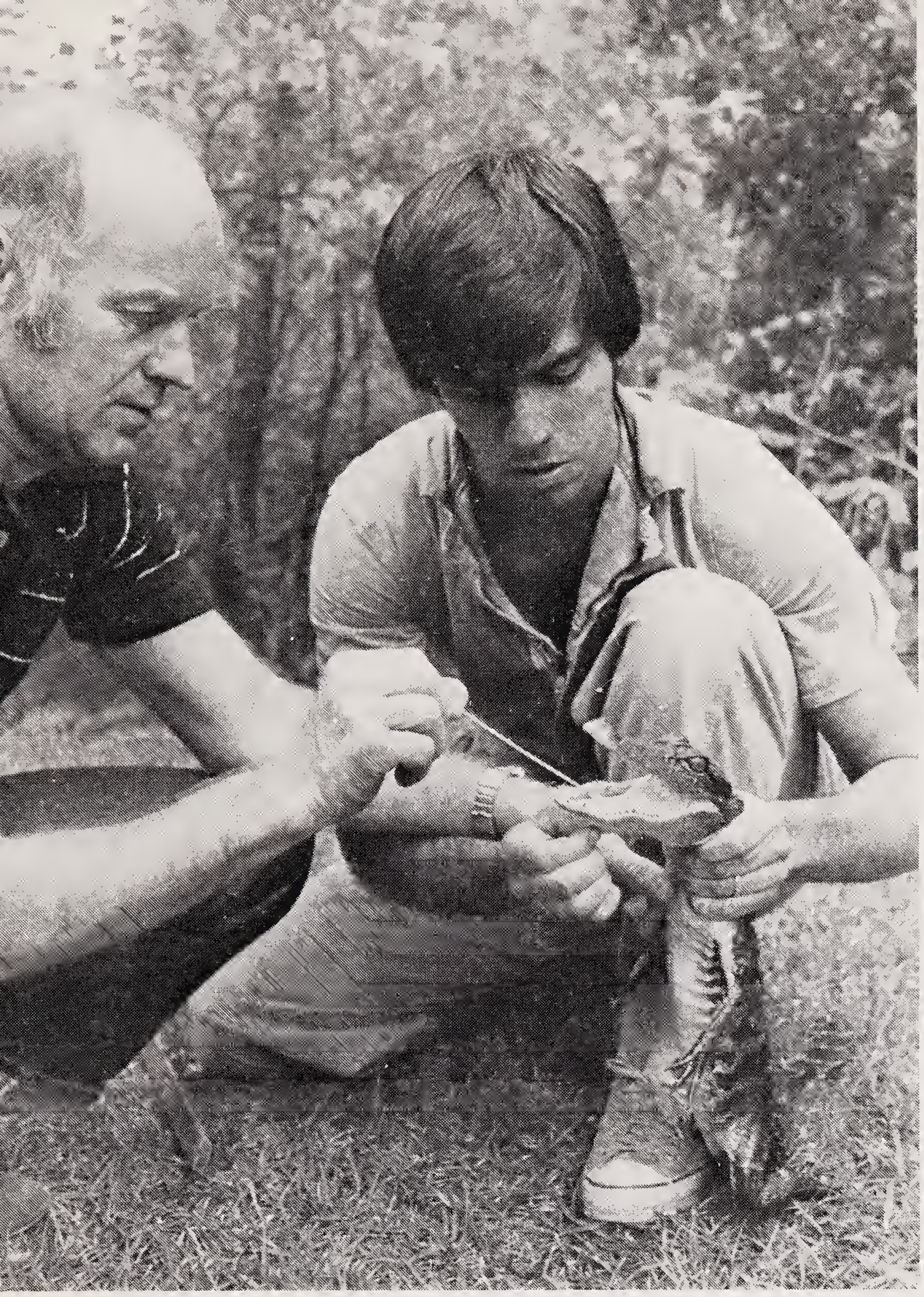
1. Divide the class into small groups. Ask each group to imagine they have $1000 to invest. After all the groups have decided how they will invest their money, have one person from each group explain the investment(s) they would make and their reasons for doing so.
2. Choose a career which interests you and write a two-page report about it. Include the following information: a description of the job, the type of training and education needed, where the training and education can be received in

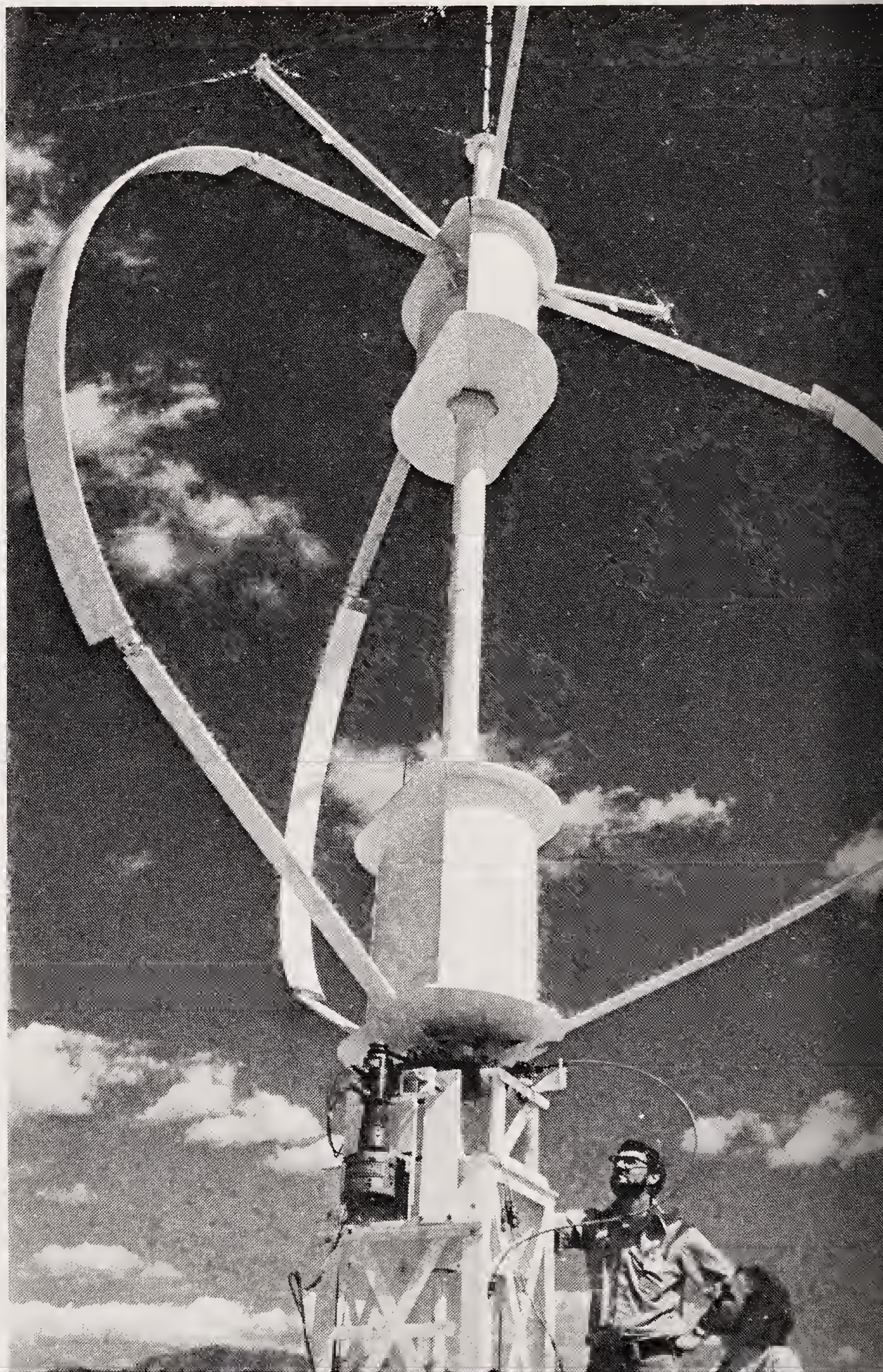
your area, and the amount of money you can expect to earn. Also explain how you think choosing this career could affect the way you live, the people you meet, and the satisfaction you get out of life.

3. What kind of life insurance policy would you recommend for the following family? The husband is thirty years old and earns $20,000 a year. The wife is twenty-nine years old and earns $15,000 a year. They have a two-year-old child. Talk to three life insurance agents in your community and ask them what type of life insurance they would recommend and why. How does your recommendation compare with the insurance plans suggested by the agents? Report your findings to the class.

BLUE BELL, INC.

The security of a sound investment and insurance program can relieve people of financial worries and help them enjoy everyday life.





part
six

The broad picture

15 Energy, the environment, and you, 325
Energy sources, What individuals can do, What governments can do, The environment, What individuals can do, What citizen groups can do, What governments can do

16 Consumers and government, 339
Government regulation, Government agencies, Types of taxes, The purpose of taxes, Government taxing and spending, Preparing tax returns, Tax legislation, Tax problems, Your social security number, Social security benefits

CAPITAL NATIONAL BANK, HOUSTON

15

Energy, the environment, and you

After studying this chapter, you will be able to:

☐ Describe the problems related to the production and use of energy.

☐ Identify ways individuals and governments can conserve energy.

☐ Explain what individuals, citizen groups, and governments can do to help protect the environment.

The world is changing every minute. You can help direct the changes toward the best solutions, or you can simply watch. If you want to be a leader or even an informed watcher and voter, you need to know a few basic facts about energy and the environment.

We in the United States have been consuming energy faster than we have been producing it. We have been using and misusing the environment in ways that will affect the quality of life for us and our children. Now we are beginning to see the long-term results of our actions. We are recognizing the importance of having a healthy relationship with our world.

The future belongs to you, and you can help control it. As a consumer and taxpayer, you pay for the research and development required to solve our energy needs and environmental problems. It makes sense for you to find out how your money is being spent and what alternatives are open to you as an individual and a member of society.

ENERGY: WHERE ARE TOMORROW'S SOURCES?

At present, the United States cannot meet its energy needs with its own energy resources. This makes our country dependent on foreign fuel. We have little or no control over the continuing supply or the price of fuel imports.

One of the major challenges for future generations will be achieving energy independence for the United States. This will require both conservation and development of our own energy resources. It will mean reducing energy waste and finding new, affordable sources of energy that will cause as little damage to the environment as possible.

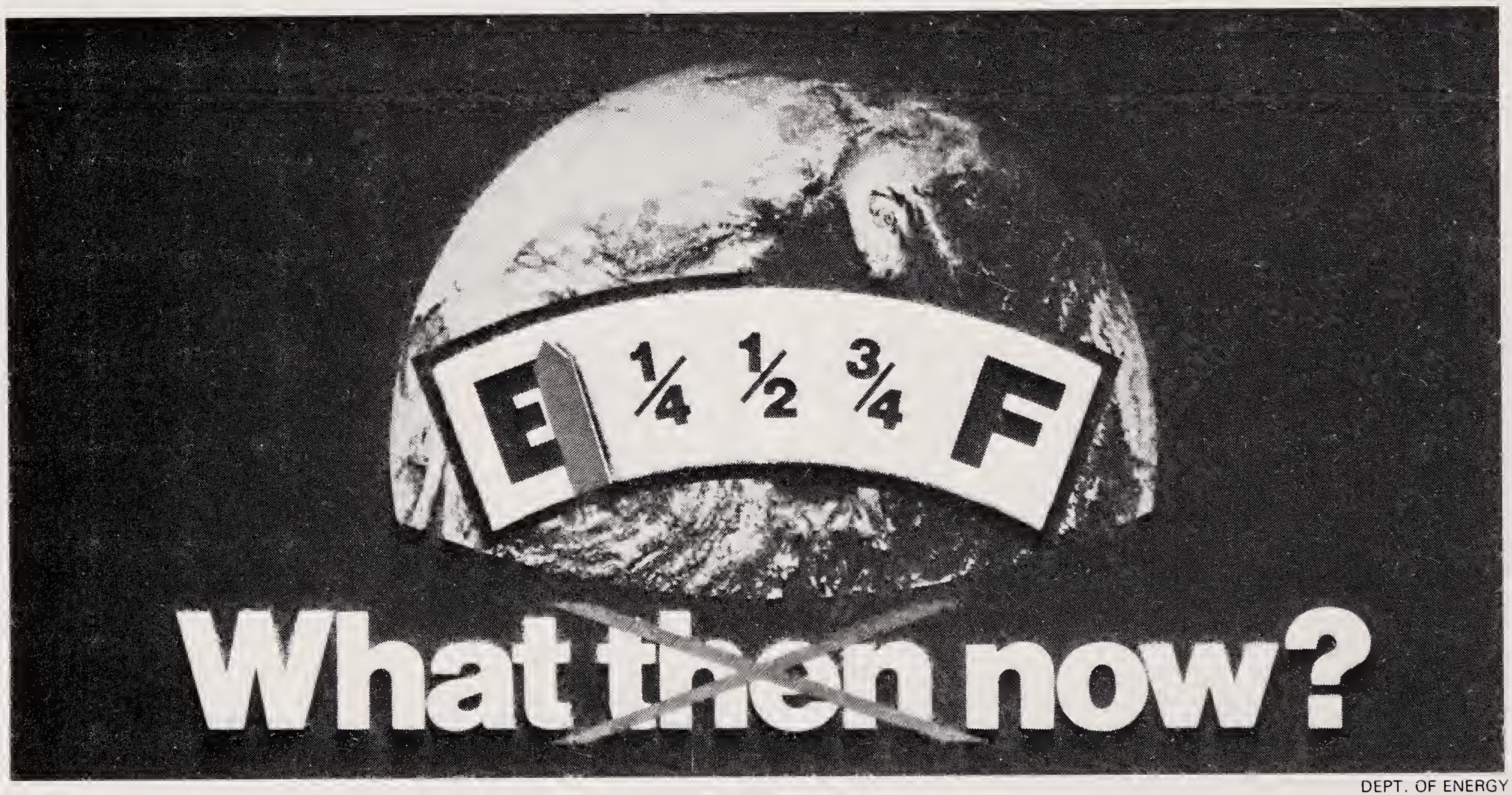
Our energy sources

Energy sources can be classified as renewable or nonrenewable. *Renewable energy sources* are sources that can be replenished or that cannot be used up. Wind power, water power, and the sun's heat are renewable energy sources. *Nonrenewable energy sources* are sources that can be used up or that cannot be used again. The petroleum, natural gas, and coal we use today were produced over a period of millions of years. These sources are nonrenewable because they cannot be reused, and they are not being replaced. See 15-1.

At present, *petroleum* and *natural gas* are the forms of energy we use most. Unfortunately, these are the scarce fuels. The United States imports much of our petroleum. Most of it comes from OPEC, the Organization of Petroleum Exporting Countries. *OPEC* is a group of countries that sets common oil marketing policies. Dependence on OPEC and other foreign sources of fuel has helped create both economic and political problems in our country.

As the United States continues to import petroleum at ever increasing prices, our balance of trade suffers. We import more than we export. In other words, we spend more than we earn. This weakens our economy. It contributes to inflation and to the falling value of the U.S. dollar in world markets.

Oil companies are searching for new sources of petroleum to increase domestic production. Although these new sources may not produce enough energy to meet our nation's demand, they will help reduce our dependence on OPEC. New petroleum



DEPT. OF ENERGY

15-1 The world is depleting its sources of petroleum, natural gas, and coal. These are nonrenewable energy sources. What will happen when they are used up?

sources will also help our country manage until other energy sources are developed.

Coal is the most plentiful source of energy in the United States. Unfortunately, it has several drawbacks. It is difficult to transport. Mining and burning coal can damage the environment. Converting coal to a gaseous or liquid form is a costly process. Even with these drawbacks, coal is one of the major hopes for our energy future.

Nuclear energy could replace petroleum for most of our nation's energy needs. This energy source now produces close to 12 percent of our electric power. It accounts for three to four percent of our total fuel. Nuclear power could provide more energy, but questions about plant safety and waste disposal have slowed its development. Predicting the future role of nuclear energy is difficult since its use is such a controversial issue.

Geothermal energy is released when hot underground rocks come in contact with water and produce steam. By drilling deep wells, it is possible to capture and pressurize this steam for use as energy. However, more technology is needed to make this type of energy practical on a large scale.

There are some environmental problems associated with geothermal energy. One is the disposal of the unwanted minerals and gases (including hydrosulfide) that accompany the steam. Another is the possible collapse of the ground's surface as a result of reducing the underground pressure. While geothermal energy is useful in some areas, it is not expected to be a major source of energy for the future.

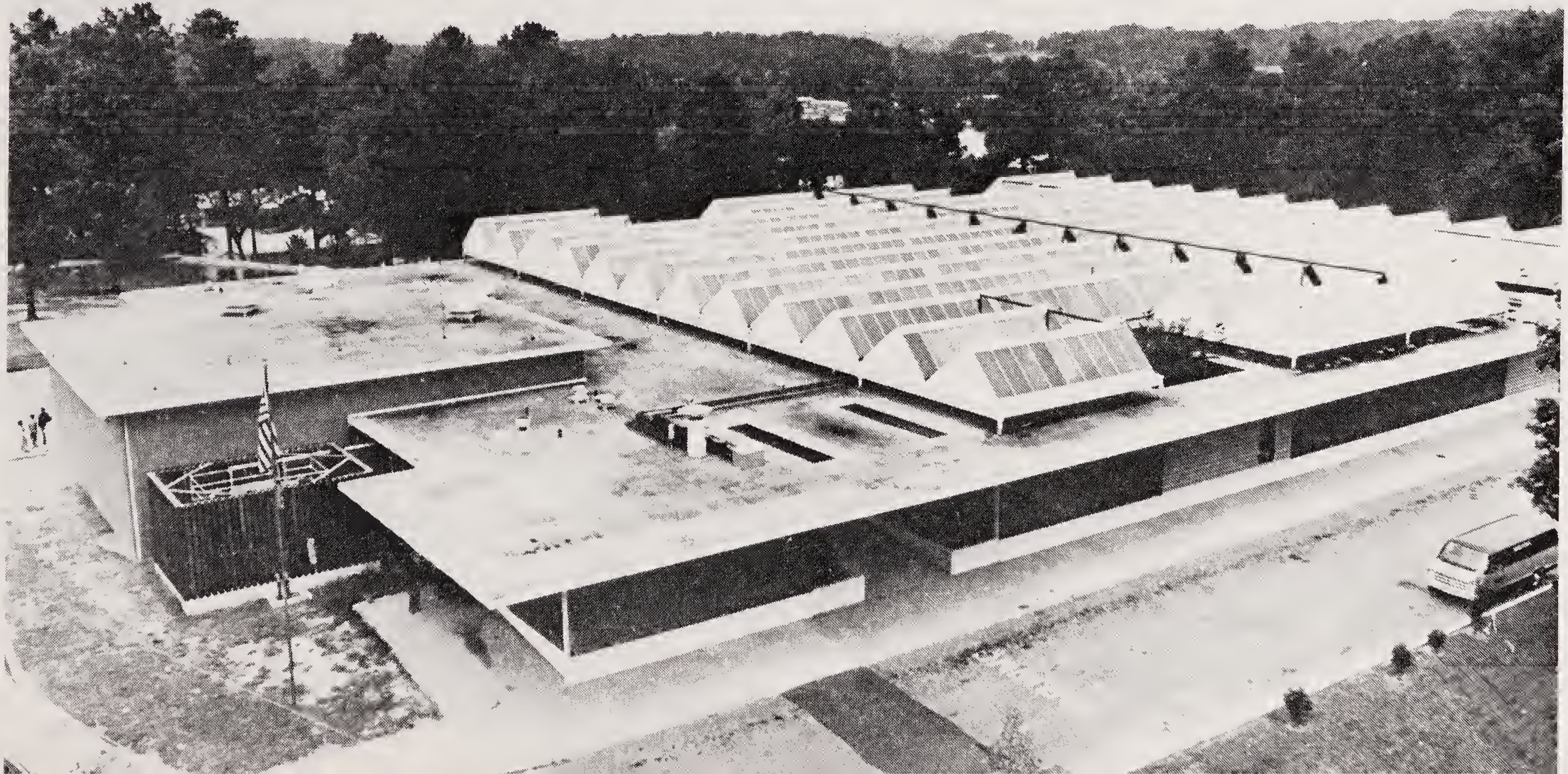
Solar energy (energy from the sun) appears to be the most desirable source of energy from an environmental standpoint. It produces almost no undesirable side effects. Unfortunately, there are economic and technological problems. At present, it is not possible to concentrate solar energy into high-grade, usable fuel in quantities that will begin to meet the country's energy needs. The storage of solar energy is also a problem. Because of the lack of sunshine at night and on heavily clouded days, storage systems are needed to provide uninterrupted solar power.

Solar heating systems and water heaters are used most often and most effectively in warm climates, 15-2. In cooler areas, solar energy systems are sometimes used to supplement other forms of power. More research is needed before solar energy can become a practical source of power for meeting residential, industrial, and transportation needs.

Other sources of energy for the future may include wind, water, and biomass. We do not

15-2 This elementary school in Atlanta, Georgia, is equipped with a solar heating and cooling system. The design of the solar collectors allows them to absorb energy from both direct and reflected sunlight.

DEPT. OF ENERGY



yet have the technology to produce large quantities of usable energy from any of these sources. However, research is being done to find out the potential, the problems, and the costs involved for each possible energy source. See 15-3.

What you can do

Conservation is one of the most effective ways to reduce energy consumption. Consider the many advantages of conservation. It is cheap, particularly when compared with producing more fuel, importing oil, and developing new sources of energy. It is immediate, which means an immediate reduction in imports and more time to develop new energy sources. It poses no threats to the environment and reduces some existing environmental problems. Finally, conservation can involve everyone. It can help you, personally, save money by reducing the amount of energy you use in the home and on the road.

In the home. Heating and cooling consume by far the greatest share of energy used in the home. They also offer the greatest opportunity for saving. The better insulated a home is, the less energy it will use for heating and cooling. Although insulating a home can be costly, it can more than pay for itself in lower fuel costs.

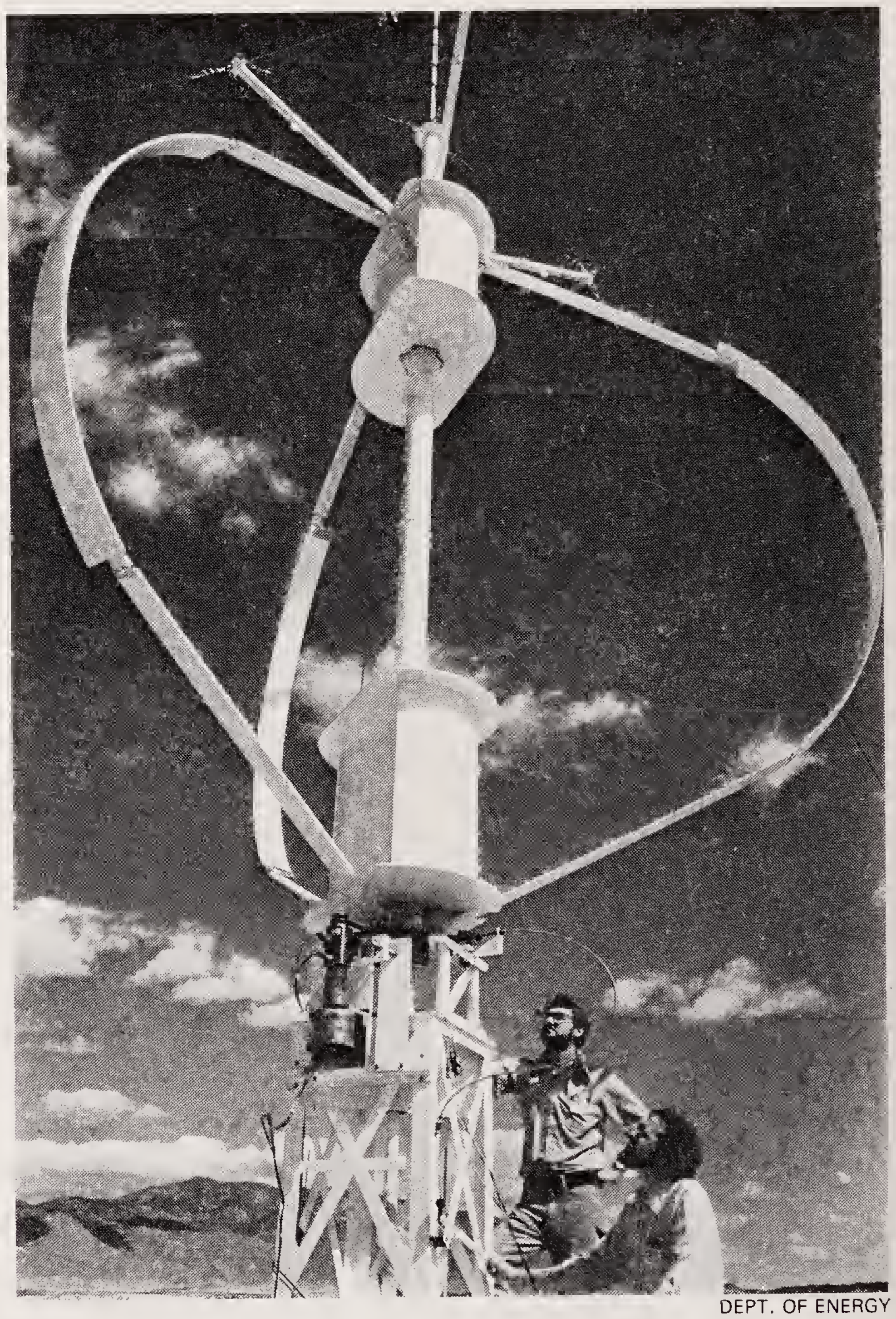
Insulation is a material used to slow the movement of hot or cool air. It is usually installed in attics, ceilings, walls, and floors to reduce the amount of energy needed for heating and cooling. In winter, heat often escapes through poorly insulated attics. See 15-4. The escaped heat has melted the snow on the rooftop. Adequate attic insulation could reduce the heat loss and lower this homeowner's heating bills by 20 to 30 percent.

Weatherstripping doors and windows and using well-fitted storm doors and windows can also prevent heat from escaping. Closing off rooms that are not in use and keeping all outside doors and windows tightly closed is another way to conserve energy. Still another way to conserve is to set thermostats no higher than 68°F (20°C) in winter and no lower than 78°F (25°C) in summer.

Be sure to use heating and cooling equipment efficiently. For example, you can conserve energy by keeping equipment clean and in good working order. It is also important to use heating and cooling units of the proper size and capacity for your home.

After heating and cooling, the next largest energy user in the home is the water heater. To reduce hot water use, repair leaky faucets promptly. Set the water heater temperature no higher than 140°F (60°C). A well insulated hot water storage tank will also reduce energy use because less energy will be needed to keep the water hot.

Be water conscious. Try to use less water



DEPT. OF ENERGY

15-3 Wind turbines, like this one, can provide energy, but no one is certain how soon this source of energy will be ready for the mass market.

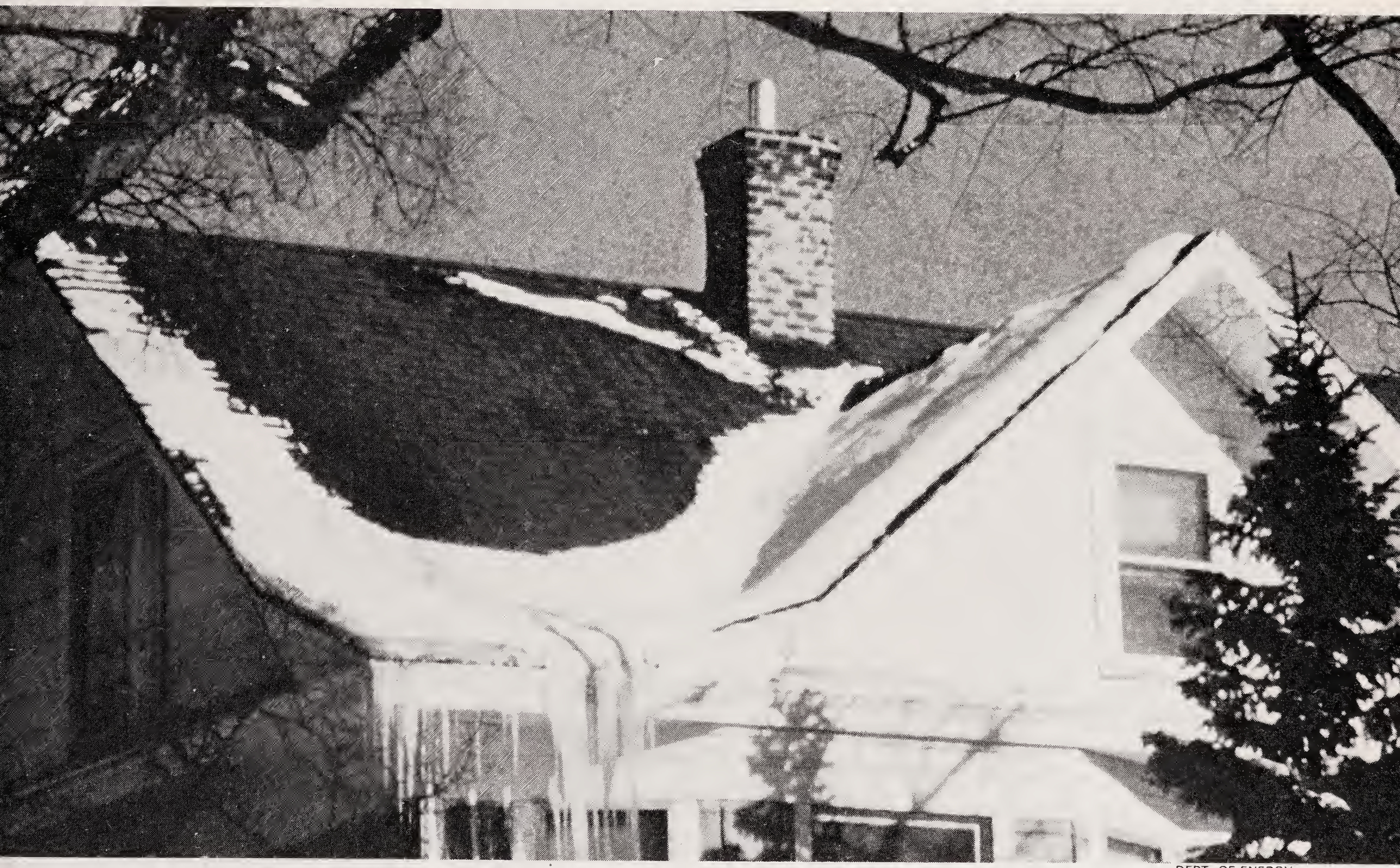
when bathing and handwashing dishes. Use warm or cold water instead of hot water when washing clothes. And avoid running hot water unnecessarily.

Electrical appliances and equipment use a large share of energy in the home. To use less energy for electrical equipment, be sure to turn off the television, radio, stereo, lights, and other electrical equipment when not in use. Keep appliances and equipment in good working condition. Use appliances wisely. Use the one that takes the least amount of energy for the job. For example, toasting bread in the oven uses three times more energy than toasting it in a toaster. Also, consider energy efficiency and energy-saving features when buying appliances, 15-5.

To use less energy when cooking, avoid removing pan lids and opening oven doors when cooking and baking. Also, try to plan meals so that more than one food can be cooked in the oven at the same time.

To operate refrigerators and freezers efficiently, set refrigerators at 40°F (4°C) and freezers at 0°F (−17°C). Periodically check and clean door seals to make sure they fit tightly. Open doors only when necessary. Remember to defrost a freezer before the frost becomes more than 1/4 inch (0.5 cm) thick. To use less energy, it is best to keep the freezer filled to near capacity.

Try to use dishwashers, clothes washers, and clothes dryers in the early morning or late evening. This will help ease the demand for



DEPT. OF ENERGY

15-4 The snow melting on this roof is a sign that heat is escaping through the roof. Proper home insulation could prevent this heat loss and reduce this homeowner's heating bills.

electricity during peak energy usage times and help conserve energy. Use a dishwasher or clothes washer only when you have a full load. Select the shortest cycle that will do a good job. When the dishwasher finishes the final rinse cycle, open the dishwasher and let the dishes air dry. To help a clothes dryer operate more efficiently, clean the filter after each use.

The amounts of electricity and gas your home uses each month are measured by your *electric meter* and *gas meter*. To find out how much energy you use each month, learn to read your electric and gas meters. Figure 15-6 explains how to check an electric meter, and 15-7 explains how to check a gas meter. Take readings once a month for several months to see if you can reduce your energy use.

On the road. Cars consume almost one third of the petroleum used in the United States. Eliminating unnecessary driving, driving more efficiently, and maintaining your car properly can help you use less gasoline.

To eliminate unnecessary driving, plan your trips carefully. Try to combine errands whenever possible. Share rides with friends and neighbors when you can. Car pooling saves a lot of fuel.

To save fuel when driving, observe the 55 miles (88 km) per hour speed limit. Most cars get about 20 percent better fuel economy on the highway at 55 miles (88 km) per hour than they do at 70 miles (112 km) per hour.

The way you drive also affects fuel consumption. The more you accelerate and decelerate, the more gas you use. When you accelerate smoothly, drive at a moderate speeds, and brake slowly, you burn less fuel.

If you are caught in a traffic jam or waiting for someone, don't let the engine idle for more than one minute. Turn off the engine. It takes less gasoline to restart the car than it takes to let the car idle for a long time.

Good car maintenance can save many energy dollars. Have your car tuned regularly to extend engine life and improve performance. A poorly tuned car can use as much as three to nine percent more gasoline than a well tuned one. Also keep the engine filters clean. Clogged filters waste gasoline.

Be sure to use the gasoline and grade of oil recommended for your car. And check tire pressures regularly. Underinflated tires increase gas usage.

What governments can do

What individuals and families can do to conserve energy is fairly easy to see. What we as a nation can do is not as clear. Should the main effort be conservation or finding new sources of energy? Will voluntary conservation work, or should government ration fuel? Should government permit rising fuel prices to discourage use and encourage new production? Or should government control fuel

Cool
Hi
Cool
3
4
5
ELECTRI-SAVER

FRIGIDAIRE

15-5 When shopping for appliances, look for energy-saving features like the one on this air conditioner.

CHECK THIS ELECTRIC METER

The electricity you use is measured in kilowatt-hours (kwh). (A watt is a measure of electricity, and a kilowatt is 1000 watts.) You will use 1 kwh of electricity if you leave a 100-watt light bulb burning for 10 hours.

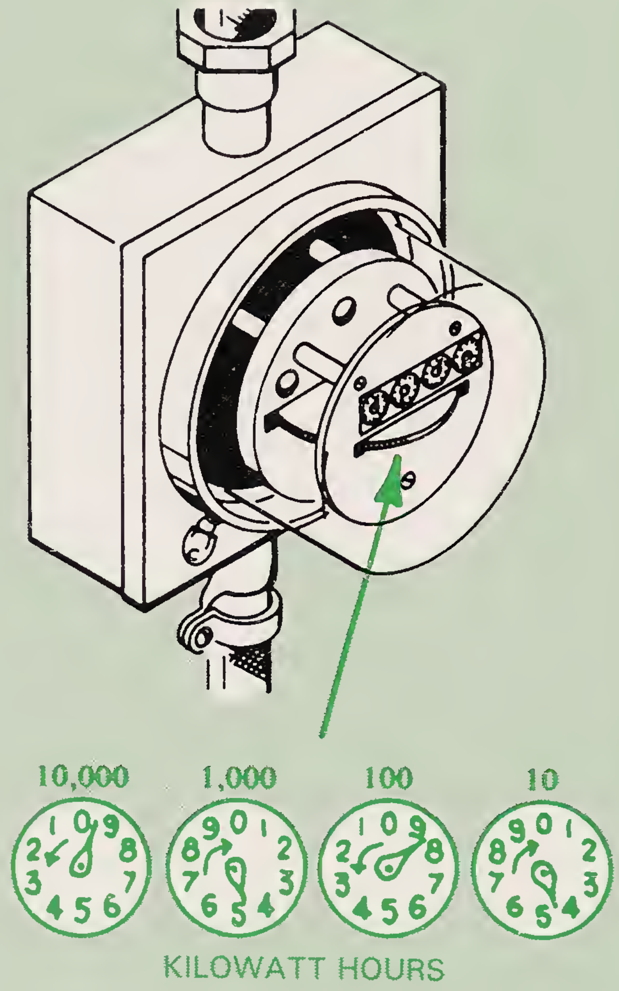
Each dial on your meter shows that you have used a certain number of kwh of electricity.

Always start to read your meter with the first dial on the right; it measures a total of 10 kwh. Each time the pointer moves from one number to another on this first dial, you have used 1 kwh.

In the meter shown here, 4 kwh are measured on the first dial. The second dial on this meter—measuring a total of 100 kwh—shows that 80 kwh have been used. (Note that some of the dials run clockwise, while others run counterclockwise.)

When you check the third dial—measuring 1000 kwh—you'll see that the pointer is barely away from 5. Do you read this as 5 or 4? First you must check the dial on the right, the 100-kwh dial. Its pointer is now between 8 and 9, showing that is hasn't quite completed its present circling of the dial. Thus, you read the 1000-kwh dial as 4. You'll read it as 5 after the pointer on the 100-kwh dial reaches 0.

On the fourth dial, the one measuring 10,000-kwh, you read 9. Thus, you have a complete meter reading of 9484.



15-6 By reading an electric meter, you can keep track of the number of kilowatt hours of electricity you use.

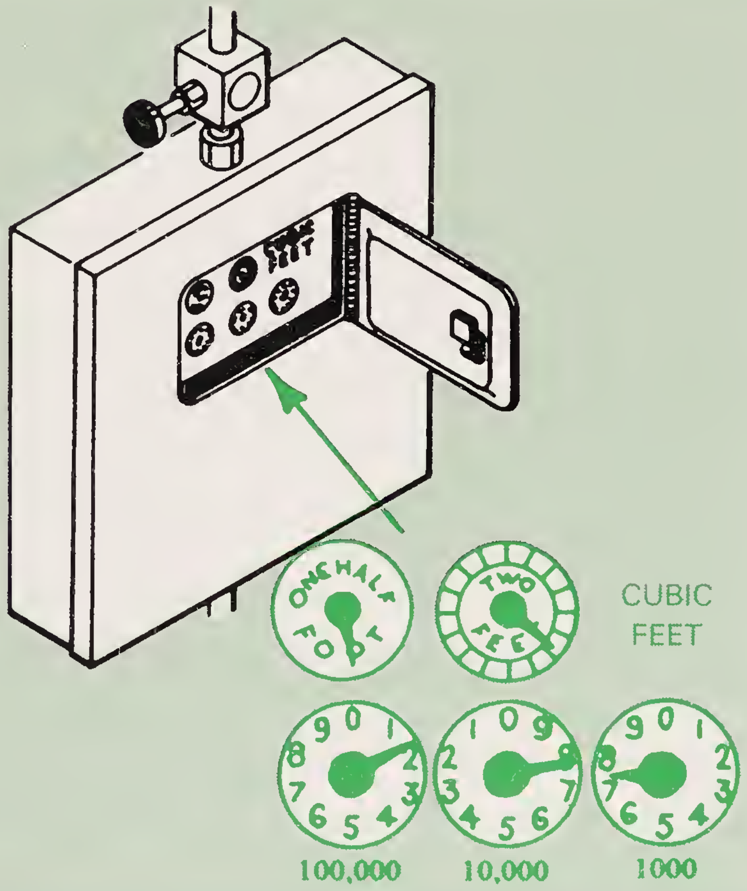
CHECK THIS GAS METER

Your gas meter has two types of dials. The recording dials—shown on the bottom line of the meter pictured here—are the ones that measure the cubic feet of gas you use. (A cubic foot is a unit for measuring the volume of natural gas.)

The other dials on your meter—the two on the top line—are test dials that are used by the gas company to check the accuracy of the meter. You can always spot a test dial because it measures less than 100 cubic feet, and you can always ignore it.

On this meter, the first dial on the right measures 1000 cubic feet of gas each time the pointer circles the entire dial. The second dial measures 10,000 cubic feet with each complete circling of the pointer. The third measures 100,000. On a meter having 4 dials, the fourth would measure one million cubic feet.

Keeping those figures in mind—and following the same rules that apply to electric meters—you can easily read this meter. The 1000-foot dial reads 7; the 10,000-foot dial reads 7; and the 100,000-foot dial reads 1. The meter reading is 177.



15-7 A gas meter measures the amount of natural gas you use in cubic feet.

prices and keep costs down? Should we compromise environmental standards to produce more energy? Or should we do without fuel to protect the environment? To what extent are renewable sources of energy practical and adequate? How can we measure the real risks and benefits of nuclear power? How far can we stretch our coal resources?

It's next to impossible for anyone to grasp all of the important aspects of the energy situation. Geologists can study our untapped energy resources. But they cannot estimate how much potential fuel is available or what the cost of making it usable would be. Engineers can develop new technologies for producing solar, geothermal, and other forms of energy. But they cannot tell how much energy a new technology could produce, how soon it could be used, or how much it would cost. Environmentalists can point out possible health and ecological threats connected with energy use. But they cannot tell us how to balance these threats with our need for energy.

Making energy choices is difficult. The energy decisions made by our government affect many areas of living, both now and in the future. They affect prices, jobs, industries, the environment, and life-styles in the United States and around the world.

Chart 15-8 lists ten actions governments could take to increase energy supplies. Which of these actions would you favor?

As you read Chart 15-8, consider the costs, benefits, and consequences of each action. How would each action affect you as an individual? How would each one affect taxpayers, persons of different income levels, and consumers in general? How would your community be affected? What would the effects be on energy-producing industries and other industries such as the transportation, housing, clothing, food, travel, and entertainment industries? How could each action affect employment and inflation? Would the environment be affected? Would any action affect the supply, demand, and cost of energy and other goods and services? How might international trade be affected?

Case Studies

COLD WEATHER FUEL CRISIS

Suppose you live in a community where the winters are severe. Your community is heated with oil which has become less plentiful and very expensive. In recent years, the community has experienced oil shortages during severe cold weather. This year, serious oil shortages are expected to occur for four or five weeks unless an alternate energy source can be used.

The community generating system could use coal to heat the community and relieve the fuel shortage. Coal is plentiful in the area and relatively inexpensive. However, the generating facilities do not meet Environmental Protection Agency (EPA) standards for burning coal. Without special generating equipment, the burning of coal could be hazardous to the environment.

POSSIBLE ACTIONS TO INCREASE ENERGY SUPPLIES

Reduce fuel imports to encourage the development of energy resources within the United States.

Buy more foreign oil, regardless of price.

Build more nuclear power stations.

Change environmental standards to permit more offshore drilling for oil.

Allow energy prices to rise high enough to cover costs of producing new sources of energy.

Change environmental standards to allow increased use of coal.

Set up a $30 billion government program for the development of existing and new sources of energy including coal, solar energy, nuclear power, geothermal power, shale oil, and others.

Encourage industry to set up a comprehensive research program to uncover and develop all potential sources of energy.

Work out a cooperative policy with other nations for the development, allocation, and efficient use of world energy resources.

Develop and enforce uniform safety standards for nuclear power.

15-8 Here are some of the actions our government could take to increase energy supplies. Which of these would you favor?

Installing the necessary equipment to meet EPA regulations would cost several million dollars. The local government could not pay for the new equipment without passing the costs on to the residents in the form of special fees, higher taxes, and/or higher utility rates.

Questions to discuss

1. What would you want your community to do in this situation and why?
    a. Close schools and public buildings to reduce demand during severe cold periods.
    b. Open stores, schools, and other public buildings an hour later and close an hour earlier to reduce heating needs.
    c. Set thermostats in private homes and public buildings at 60°F (16°C).
    d. Double fuel prices when demand exceeds supply.
    e. Seek special permission from the EPA to permit the burning of coal during peak demand periods.
    f. Install the equipment that conforms to EPA standards.
2. What other alternatives can you suggest for this community?
3. How might your solutions to this problem differ if this type of situation existed across the country rather than in one community?
4. How might your solutions to this problem differ if the shortage lasted as long as four months each year instead of a few weeks?

WHERE HAS ALL THE GASOLINE GONE?

Suppose our nation is facing a severe fuel shortage. Lines at service stations are two and three blocks long. Most stations close on weekends, and many run out of gasoline by Thursday afternoon. Supplies that are available are sold on a first come, first served basis. This creates problems for all the people who must drive to work. In many areas, the public transit system is neither adequate nor reliable enough to replace private cars.

Questions to discuss

1. Listed below are some possible alternatives for dealing with this situation. Consider the costs, benefits, and consequences of each alternative. What choices would you make? What do you think would be most effective?
    a. Strictly enforce the 55 miles (88 km) per hour speed limit.
    b. Raise the price of gasoline to lower demand. At the same time, develop a gas stamp program to aid the needy and those who must drive to work.
    c. Allocate more funds for further development of synthetic fuels.
    d. Improve relations with countries that export petroleum and make whatever agreements are necessary to get more fuel.
    e. Raise the driving age to 18 or higher.
    f. Close shopping centers, service stations, and other facilities on Sundays to reduce unnecessary driving.
    g. Penalize families that own more than one car.
    h. Increase costs connected with driving and car ownership such as licenses, parking fees, and permits.
    i. Reward car pooling by requiring all single passenger auto commuters to buy special permits.
    j. Place a heavy tax on automobiles that do not meet high fuel economy standards.
    k. Restrict the sale of private cars and require auto owner permits based on transportation needs.
    l. Allocate more funds to develop fuel-efficient public transportation.
2. Which alternatives would be the most costly? Which alternatives would be the most inconvenient?
3. What other possible alternatives can you suggest?
4. How would each alternative affect you personally?
5. What individuals, industries, and businesses have the most to lose or gain from each alternative?

THE ENVIRONMENT: WHAT WILL IT BE TOMORROW?

Environmentalists are concerned with a variety of problems related to the present and future quality of life. Some of these problems include land use; water, air, and noise pollution; solid waste disposal; conservation of natural resources; and preservation of wildlife. See 15-9. In an effort to preserve and protect the earth, environmentalists conduct studies and make recommendations to solve these environmental problems.

At present, energy-related problems top the list of environmental concerns. Both the production and use of fuel can damage the environment. For example, oil spills can foul the waters, strip-mining can cause long lasting damage to the land, and fumes from burning fuels can pollute the air. Nuclear waste, improperly handled, could cause environmental damage beyond any we have known in the past. That's why it is essential to evaluate threats to the environment and to find ways of producing energy that will cause the least damage.

What you can do

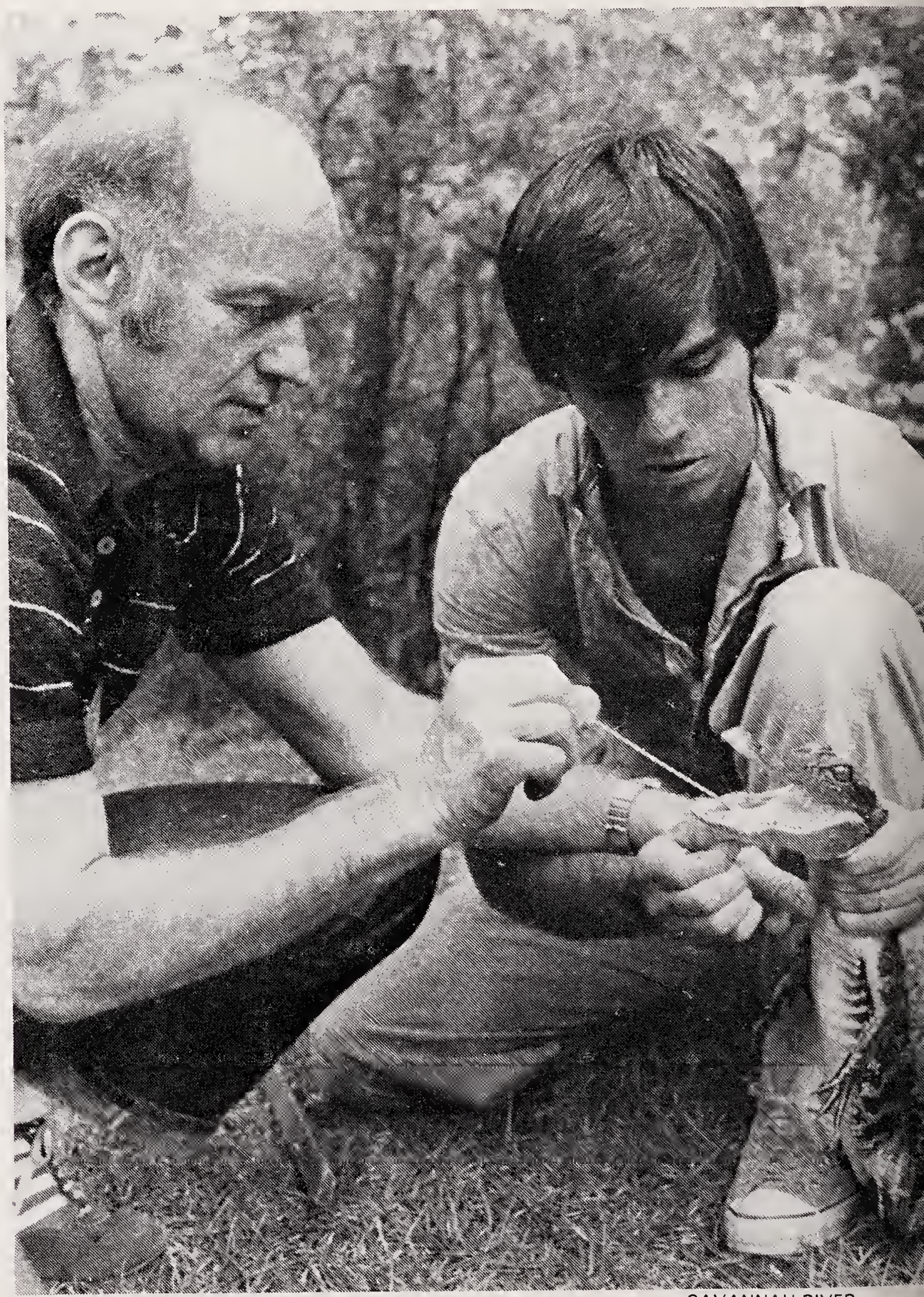
Among the many unanswered environmental questions, one fact is clear. The responsibility for a clean, wholesome environment belongs to all of us. There are many ways to accept that responsibility as an individual or a group member.

To help protect the environment, keep informed about environmental issues. Watch for activities in your community that could alter your nearby environment such as the air you breathe and the parks you enjoy. Consider human needs as well as environmental protection. Weigh the choices carefully when there is a conflict between the two.

Be ready to act when community pollution problems arise. Local action is the speediest, most direct way to deal with many forms of pollution. Remember, tomorrow's environment may be the result of today's actions.

Some big environmental problems can be traced to "little acts" of litter and waste. For example, a single can or wrapper tossed thoughtlessly aside, a single dripping faucet, or a single car running on leaded fuel is no cause for concern. But millions of littered cans, dripping faucets, and cars burning leaded fuel can create big problems. Just as little acts can create big problems, little acts can also solve big problems. There are many little things you can do in your home, community, and marketplace to improve and protect the environment.

In your home, avoid wasting water, gas, electricity, and food. Take newspapers, bot-



SAVANNAH RIVER

15-9 Environmentalists work with a variety of problems. Here they are taking a sample from a baby alligator's mouth to test for a bacterium which had infected some alligators and fish in a river.

tles, and cans to recycling centers, 15-10. Reduce noise pollution by keeping the volume level set moderately on stereos, radios, and televisions. To protect the environment, avoid unnecessary use of insecticides.

In your community, work on beautification projects, pollution control, and recycling programs. And don't litter anywhere! Picnic areas, parks, beaches, roadsides, and sidewalks don't have maid service. Help keep them clean. See 15-11.

In the marketplace, buy products that can be recycled. Support businesses that take responsible positions on environmental issues.

What citizen groups can do

At the local level, citizen action is often the driving force that protects a community's environment. For example, some communities have managed to turn solid waste into an asset. A mountain of solid waste in one area has become Mount Trashmore—a center of recreational activity. In another area, trash is processed together with coal and used to generate electrical power.

To reduce air pollution from cars, some communities are restricting downtown parking, banning auto traffic in certain parts of the city, and improving public transportation. Citizen groups also have been active in establishing local air quality standards.

What governments can do

Government legislation is one of the major steps our country has taken to curb pollution and protect the environment. The *Environmental Protection Agency (EPA)* was established by the federal government for this purpose. This agency proposes and enforces

15-10 Aluminum cans are one type of solid waste that can be recycled and used again.

PEPSICO INC.

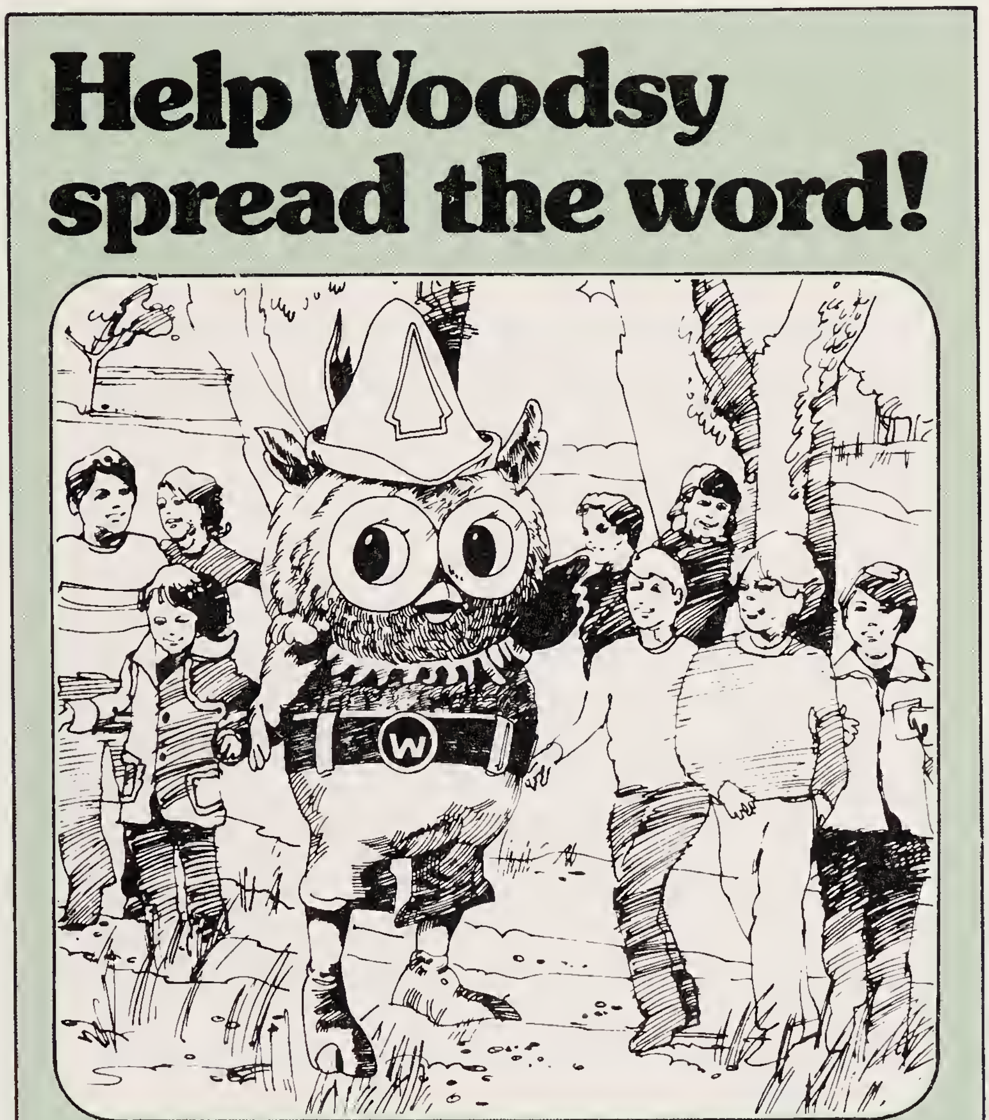
laws concerning air and water quality, noise, solid waste, hazardous waste, toxic substances, and pesticides. Some of these laws include the Clean Air Act, the Water Pollution Control Act, the Toxic Substance Control Act, and the Resources Conservation and Recovery Act.

Although legislation has helped control certain types of pollution and regulate the use of resources, it has been expensive. The government has spent billions of dollars funding the EPA and enforcing its regulations. To comply with government regulations, businesses have spent even more money. Obviously, some regulations are needed to safeguard people and their environment. Yet the government, the environmentalists, and the industries must carefully weigh the benefits and costs of laws and regulations.

Research is another step governments have taken in the interest of environmental protection, 15-12. For example, the EPA and other federal agencies conduct and pay for research programs. The primary objectives of these programs are to:

- Identify environmental problems that are hazardous to people's health.
- Determine the connection between diseases and pollutants.
- Find safe methods of managing solid waste and disposing of waste materials that may be hazardous.
- Establish programs for conserving natural resources.

Businesses and other non-government organizations also conduct research to help solve our environmental problems. What we learn from today's research may be the keys to plentiful energy supplies and a clean, wholesome environment for the future.



15-11 Ads like this one help remind individuals to do their part in stopping pollution.

15-12 A solar radiation detection instrument aids in the control of air pollution by measuring atmospheric haze. Further research could lead to even more accurate measurement of airborne pollutants.

DEPT. OF ENERGY

to Know

Environmental Protection Agency (EPA)
nonrenewable energy sources
OPEC
renewable energy sources

to Review

1. What forms of energy does the United States use most? From where do most of these energy sources come?
2. How has the importation of petroleum affected the United States?
3. What are the drawbacks of using coal as an energy source?
4. What consumes the greatest amount of energy in the home?
5. Why is it important for a home to be well insulated?
6. Name the things you can do to limit the amount of energy you use for electrical equipment.
7. What can you do to use less energy when cooking?
8. What things can you do to help you use less gasoline in your car?
9. What two major steps has our country taken as a nation to curb pollution and protect the environment?
10. What are the primary objectives of environmental research programs?

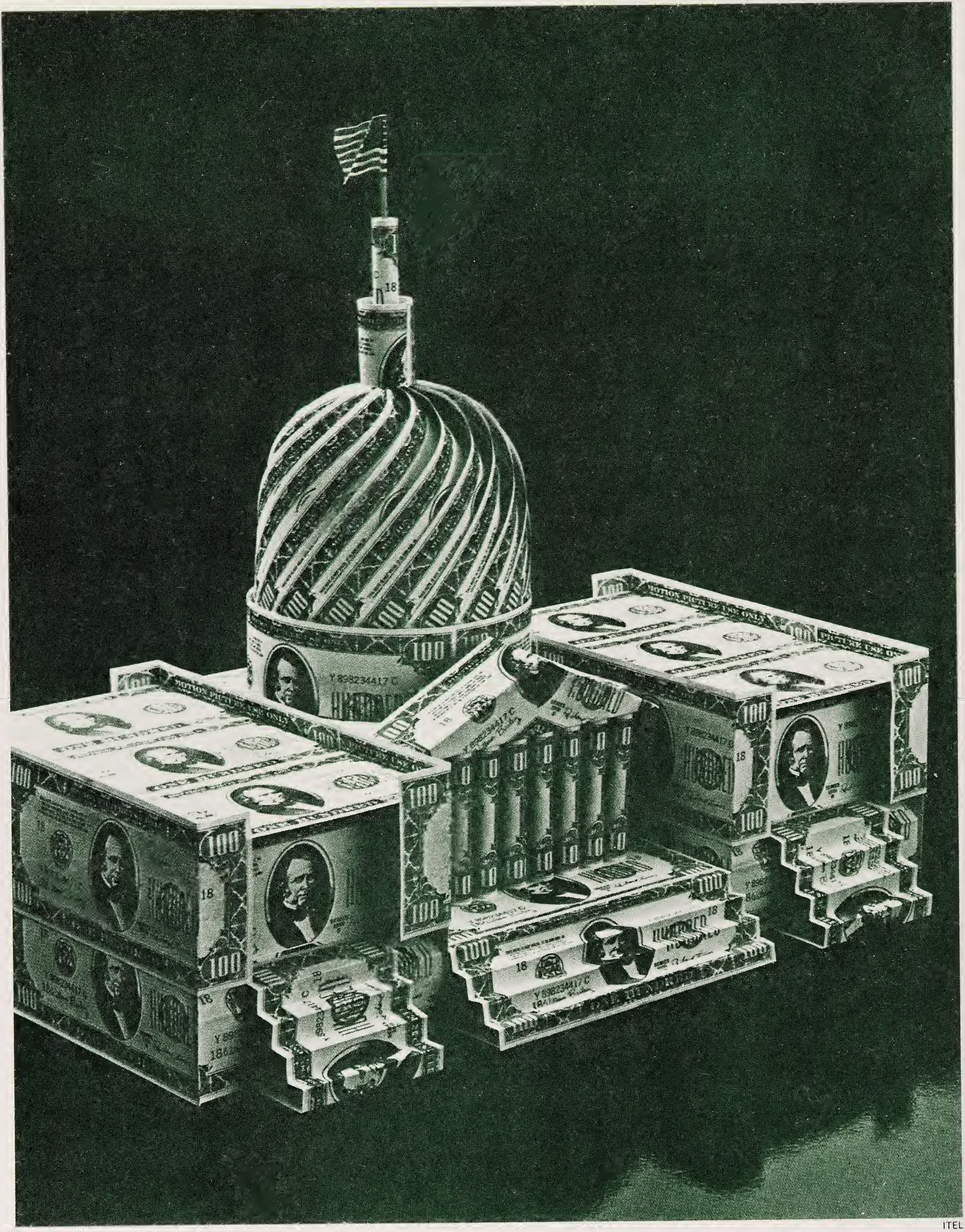
to Discuss

1. Why is it important for you to know about energy sources and the environment?
2. Why does the United States have an energy problem?
3. What are some of the problems and challenges in developing our own sources of energy?
4. How can you or your family reduce the amount of energy used for heating water in your home?
5. How can you reduce the amount of fuel you use when driving?
6. Why is it difficult to determine what we as a nation should do about the energy problem?
7. What are some of the problems that concern environmentalists today? What environmental problems concern you the most?
8. Give examples of how the production and use of fuel can damage the environment.
9. Name several ways you as an individual can help improve and protect the environment.
10. What are some environmental problems that exist in your community? How might they be solved?

to Do

1. Divide into research teams to investigate one of the following sources or types of energy: nuclear, natural gas, coal, solar, geothermal, petroleum, wind, water. Prepare a report including:
   a. How much the source is used.
   b. The cost and safety of its development, production, and distribution.
   c. Its availability.
   d. The impact its use has on the environment.
2. Find out how the U.S. uses different types of energy. Specifically, find out what percent of our energy is used by industry, by government, and by consumers. Report your findings to the class.
3. Consider the different ways people contribute to environmental problems by their use and disposal of products. Then design a poster or bulletin board to illustrate "Common Consumer Crimes Committed Against the Environment."
4. Select one of the laws or pending bills designed to protect the environment. Study it carefully to find out:
   a. Its main objectives and key provisions.
   b. Its costs and benefits.
   c. Its impact on different segments of society.
   d. Its effectiveness in achieving its purpose.
   e. The ease of enforcing it.

   Present your findings to the class in a three-minute oral report.



ITEL

16

Consumers and government

After studying this chapter, you will be able to:

- ☐ Evaluate the pros and cons of government regulation.
- ☐ Identify several government agencies that provide protection and services to consumers.
- ☐ Explain how consumers are taxed and how tax dollars are spent.
- ☐ Describe the purpose of the social security program.

Government plays an ever-growing role in your life. When you take on the responsibilities of consumer, producer, citizen, and taxpayer, you continually come in contact with government's laws, regulations, agencies, and programs. This chapter examines three key areas of government activity. It discusses government regulation and the agencies that enforce those regulations. It explains the tax system which pays for government services. And it describes the social security program which provides benefits to those who qualify.

GOVERNMENT REGULATION

Every society has its laws. As Thomas Jefferson said, "Laws and institutions must go hand in hand with the progress of the human mind." If that is true, the human mind must be making good progress in this country! According to former Supreme Court Chief Justice Charles Evans Hughes, "The United States is the greatest law factory the world has ever known." Certainly, we do have countless laws and regulations governing our nation.

Those at the federal level are passed by Congress in the U.S. Capitol, 16-1.

Almost every phase of business and economic activity falls under some form of government regulation. For instance, the simple hamburger sold in fast food outlets across the nation is subject to more than 40,000 state and federal regulations. Rules cover everything—fat content of the meat, ingredients in the catsup, advertising slogans, hiring practices, restaurant inspections, and so on.

Charge accounts, credit cards, and loans are also subject to controls. Government regulates finance charges and terms of credit agreements. It sets requirements for credit application forms, credit agreements, and monthly statements. It also establishes procedures for processing credit applications, granting credit, handling billing errors, and collecting overdue bills.

Car production is also regulated by government, every step of the way, from the manufacturer to your garage. Federally mandated safety features and pollution controls alone add hundreds of dollars to the price of a new car. Other regulations cover such things as plant working conditions, employee benefits, car warranties, auto servicing, registration and licensing, insurance, and advertising.

Federal government spending on regulations and regulatory agencies has increased at a rapid pace. The scope of regulation has also broadened. Historically, regulations were directed at a specific product or industry. Now, many laws, such as the Occupational Safety and Health Act and the Consumer Product Safety Act, apply to almost every business and product. Many recent regulations also tend to require more record keeping and paperwork than in the past.

Fortunately, the federal government has begun to realize that overregulation can cause problems. One of these problems is inflation. Too many regulations can reduce productivity and decrease the supply of goods and services. When this happens, the demand for goods and services becomes greater than the economy's ability to supply them. This causes the cost of goods and services to increase. The following example explains how.

Suppose you own a bakery and cannot meet the demand for bread. You have saved several thousand dollars which you want to invest in your business. When making more bread is your top priority, how would you divide your resources among the following?

- Improved equipment.
- More supervisors.
- Better employee benefits.
- More well-trained bakers.
- More record keeping.

Obviously, improved equipment and more well-trained bakers would help you increase bread production. But when government requires you to have more supervisors, better employee benefits, and more record keeping, you must abide by the law. You must spend a greater share of your time and money on these items and less on ways to increase production. This means that to pay operating costs and take home a reasonable profit, you end up raising the price of bread instead of making more bread. As this happens in businesses across the nation, prices for goods and services go up, and inflation worsens.

Of course, some regulation is needed to make sure that you use wholesome ingredients in your bread and that you are fair and honest with employees and customers. The big question is just how much regulation is needed to achieve these goals.

Some people believe that businesses need more regulation and that consumers need more protection. These people are in favor of having a powerful federal consumer protection agency. They want current government powers to be expanded and more product standards to be established. They also want more consumer representation in government agencies and on corporate boards of directors.

Critics of additional regulation claim that the costs of complying with current regulations are already too high. They say these costs take money away from capital investments that could increase productivity and help control inflation. They also argue that the billions of dollars business spends each year to meet regulatory demands are passed on to consumers in the form of higher prices.

The conflict between advocates and critics of regulation may go on forever. However, both sides generally agree that complex and unnecessary regulation is undesirable.

GOVERNMENT AGENCIES

Government agencies are responsible for establishing and enforcing government regulations. They set standards for products and services. They provide information about products and services. They also protect consumers from unethical business practices.

Federal agencies

Over 80 federal departments and agencies exist on your behalf. Described in this section are several consumer-related agencies and the primary functions each performs.

Department of Agriculture (USDA). This department regulates the federal government

UNITED AIR LINES

16-1 In the U.S. Capitol located in Washington, D.C., laws are passed which determine the federal government's role in the economic life of the nation.

inspection and grading of food, 16-2. It also administers food and nutrition programs to the needy.

Office of Consumer Affairs (OCA). This office develops consumer programs and distributes publications to promote consumer education. It advises and assists other federal agencies and state and local governments in promoting and protecting consumer interests.

Consumer Product Safety Commission (CPSC). This agency regulates and sets standards for the safety of consumer products such as household appliances, toys, tools, clothing, and fabrics.

Federal Trade Commission (FTC). This agency is responsible for preventing unfair, false, or deceptive advertising, packaging, and selling of consumer products. The FTC also works to preserve the healthy competition of businesses in our market economy.

Food and Drug Administration (FDA). This agency regulates the manufacture, labeling, and packaging of foods, drugs, and cosmetics to ensure consumer safety. If FDA officials find any product to be harmful or hazardous, they can stop its sale or require a safety warning to be placed on it.

Department of Health and Human Services (HHS). This department administers financial aid programs to the elderly, handicapped, and financially needy. It promotes public health and works to solve health problems caused by drug and alcohol abuse.

Department of Housing and Urban Development (HUD). This department provides home ownership and rental assistance for low and moderate income families. It also develops safety standards for housing, promotes urban renewal, insures equal housing opportunity, and administers real estate laws.

Interstate Commerce Commission (ICC). This federal agency regulates interstate movers of household goods and other surface transportation. It also processes complaints on rail and bus passenger services and freight services.

Securities and Exchange Commission (SEC). This agency protects investors against fraud in the buying and selling of securities. It regulates security exchanges and associations, investment companies, brokers, dealers, and investment counselors.

State and local agencies

State and local government agencies also provide information, services, inspections, and other forms of consumer protection. Most state and local governments have passed laws to protect the health, safety, and rights of citizens. Many of these laws regulate sanitation practices, food standards, safety, insurance, education, and trade practices. Some also govern the licensing of medical personnel, hospitals, nursing homes, and funeral homes. However, state and local laws vary a great deal. It is a good idea to do some research on the consumer-related departments and agencies in your community and state. Then when you need help or advice, you will know where to turn.

TAXES

Supreme Court Justice Oliver Wendell Holmes said, "Taxes are what we pay for a civilized society." If this is true, our society should be very civilized! Federal, state, and local taxes take about one third of most taxpayers' personal incomes. For many workers, taxes are the biggest single expense in their budgets—more than shelter, food, transportation, education, medical care, or recreation.

The average person works about three out of every eight hours on the job to pay for government operations and services. On an annual basis, the average employed person works from January to May just to pay federal, state, and local taxes.

Types of taxes

Taxes are payments that citizens and businesses are required to pay governments. Many types of taxes exist because there are many types of things that are taxed. See 16-3. The same item can be taxed by more than one government body. For example, personal income can be taxed by both federal and state governments.

Taxes can be classified as direct or indirect. *Direct taxes* are charged directly to the taxpayer. When you pay personal income taxes or sales taxes, you are paying direct taxes. *Indirect taxes* are included in the price of taxed items. They are passed on to the buyer in the form of higher prices. For example, if you buy expensive jewelry, the price of the jewelry includes a luxury tax. Then the jeweler pays the luxury tax to the government.

Taxes can also be described as progressive or regressive. *Progressive taxes* tax the rich at a higher percentage than they do the poor. If a tax is progressive, the tax rate increases as the taxed item increases. For example, income tax is a progressive tax. As a person's income increases, that person is taxed at a higher rate.

Regressive taxes are just the opposite of progressive taxes. *Regressive taxes* take a lower percentage of income from the rich and a higher percentage of income from the poor. Sales tax is a form of regressive tax. Suppose a person with a high income and a person with a low income bought the same item in the same store. Although they would both pay the same sales tax for the item, the person with the higher income would be paying a smaller percentage of his or her income for the tax. The person with the lower income would be paying a higher percentage of his or her income for the tax.

The purpose of taxes

The primary purpose of taxes is to pay for government facilities and services. Taxes pay for many things such as public schools, airports, highways, parks, and police and fire protection, 16-4.

Another purpose of taxes is to achieve certain economic and social goals. Taxes are used

NATIONAL LIVE STOCK AND MEAT BOARD

16-2 All meat and meat products shipped across state lines are inspected by the USDA to make sure they are wholesome and safe for consumers to eat.

COMMON TYPES OF TAXES

Personal income tax. A tax on the amount of money a person earns from wages, tips, bonuses, interest on savings and investments, and dividends.

Corporate income tax. A tax on the amount of money a corporation earns.

Social security tax. A tax on a person's income that is used to pay for the social security program administered by the federal government.

Property tax. A tax on the value of personal property and real estate which may include cars, houses, land, etc.

Sales tax. A tax on goods and services that is paid at the time of purchase.

Excise tax. A tax placed on certain products or services such as gasoline, cigarettes, liquor, and telephone service.

Customs duty. A tax on goods imported from other countries.

Estate tax. A tax that must be paid on an estate when the owner of the estate dies.

Inheritance tax. A tax that must be paid by a person who inherits property.

Gift tax. A tax that must be paid on large gifts of money by the person giving the gifts.

16-3 These are some of the most common taxes.

to redistribute income from the rich to the poor. Also, taxes can be increased or decreased to fight inflation, unemployment, recession, or other economic problems.

In addition to the federal tax system, there are 50 state tax systems and over 80,000 local taxing agencies. The U.S. Tax Code contains thousands of pages of complex rules. Yet legislators keep passing more revenue acts and tax reform bills. The National Taxpayers Union and other groups are fighting the rapid rise in taxes and government spending. The passing of Proposition 13 (1978) in California was a major victory against state tax increases. Other states have also passed forms of tax limitation. At the national level, there is a campaign for a constitutional amendment to require a balanced federal budget. Other proposals to limit taxing and spending are also being considered.

Although there is a need to limit taxes, there is also a need for government facilities and services and the tax money to pay for them. The issue is not whether government should collect taxes and spend money. Rather, the question is how much it should collect and how much it should spend.

EVANSTON CHAMBER OF COMMERCE

16-4 Tax dollars help pay for the building and maintenance of parks.

Government taxing and spending

Chart 16-5 lists the major sources of tax money. It explains how that money is spent by listing major government expenditures.

Most of your tax dollars go to the federal government. Personal income taxes and social security taxes are the two largest sources of federal tax dollars. Corporate income taxes, excise taxes, estate taxes, inheritance taxes, gift taxes, customs duties, and other taxes also help fund the federal government.

The federal government spends most of its tax money on income security, national defense, interest on the national debt, health care, and education and training. Income security provides social security benefits, unemployment benefits, welfare payments, food stamps, housing subsidies, and other income aid. Money for national defense is used

GOVERNMENT TAXING AND SPENDING

GOVERNMENT TAXING

Federal taxes

- Personal income tax
- Corporate income tax
- Social security tax
- Excise tax
- Estate, inheritance, and gift taxes
- Customs duty

State and local taxes

- Property tax
- Sales tax
- Personal income tax
- Corporate income tax

GOVERNMENT SPENDING

Federal level (top five expenditures)

- Income security
- National defense
- Interest on national debt
- Health care
- Education and training

State and local levels (top three expenditures)

- Education
- Highways
- Public welfare

16-5 This chart lists the major sources of federal, state, and local taxes and the major expenditures of governments.

to equip the armed forces, pay military personnel, and conduct defense research. Interest is paid to people who have bought government bonds. Health care is provided to the aged and needy through Medicare and Medicaid payments. The health budget also provides funds for medical research, professional training, and consumer and employee safety. Grants and loans are provided to help finance elementary, secondary, vocational, and higher education.

Other federal funds are used to pay for such things as energy research, science and space technology, environmental control, and community development. The federal budget also provides financial aid to state and local governments.

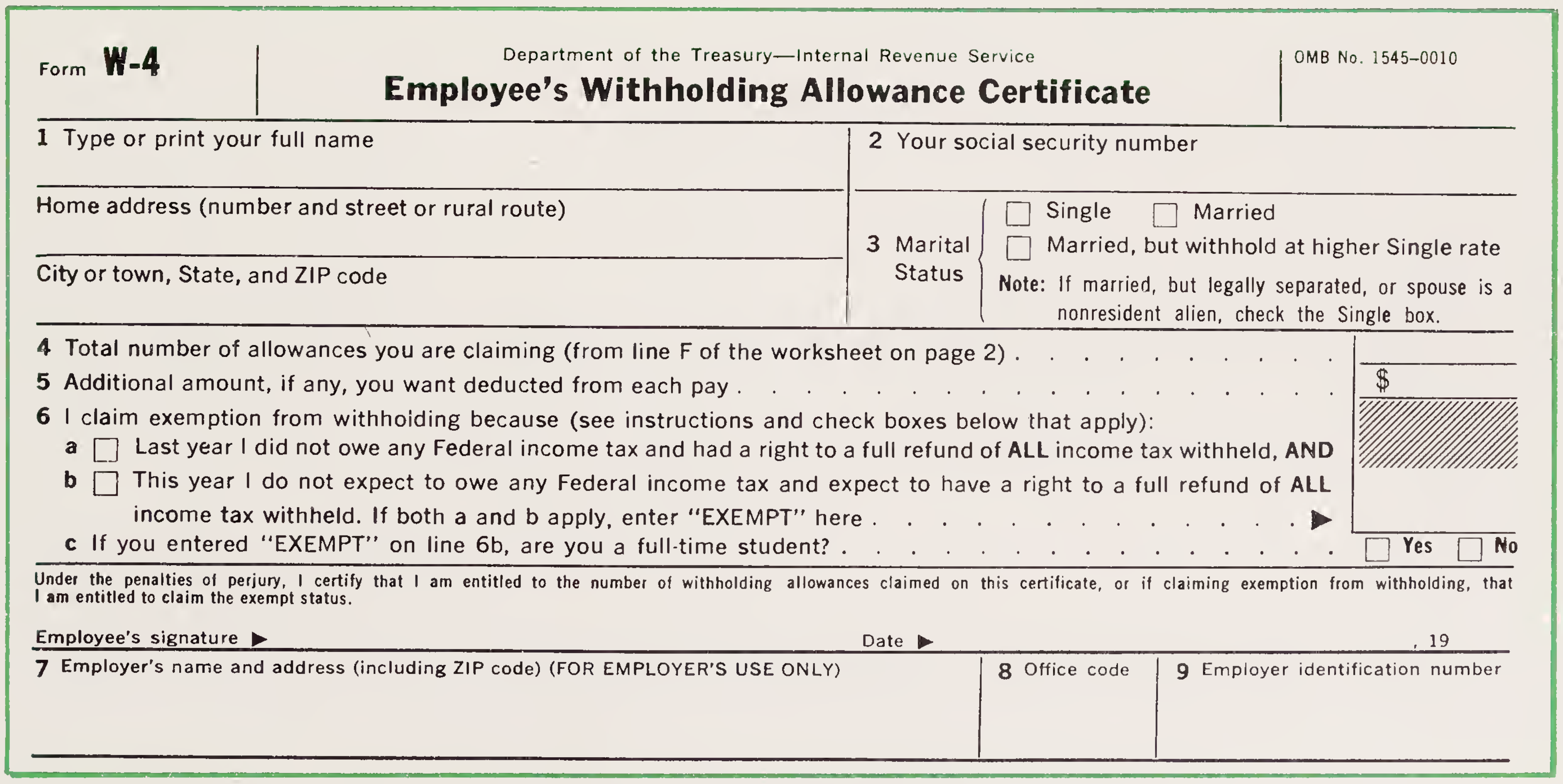
Property taxes and sales taxes, as well as personal and corporate income taxes, help finance most state and local governments. These taxes are used mainly to pay for public education, highways, and public welfare. They also are used to pay for hospitals, public transportation, police and fire protection, parks and recreation services, and the interest on state and municipal bonds.

As government spending increases, there are cries for more controls. At the same time, there are demands for more government services, programs, and regulations. Often, the same people who want less spending also want better schools, more social security benefits, and stricter regulations on business.

Government can't do everything. For every service and regulation, there is a trade-off in money and freedom. If a community spends more money for schools, there may be less money for highways, parks, and hospitals. If a community uses state or federal funds, they may lose the right to decide exactly how the money is spent. To get more from government, taxpayers usually have to pay more taxes and sacrifice more freedom.

Preparing tax returns

The federal income tax system is built on a pay-as-you-go concept. This means that a working person pays taxes paycheck by paycheck instead of in one lump sum. (State and local income taxes usually work this way, too.) When you begin a job, your employer will ask you to fill out a *W-4 Form*. This form is called the Employee's Withholding Allowance Certificate, 16-6. It tells your employer how much tax to withhold from your paychecks. Both income tax and social



Form **W-4**

Department of the Treasury—Internal Revenue Service

Employee's Withholding Allowance Certificate

OMB No. 1545–0010

1 Type or print your full name

2 Your social security number

Home address (number and street or rural route)

City or town, State, and ZIP code

3 Marital Status

☐ Single ☐ Married

☐ Married, but withhold at higher Single rate

Note: If married, but legally separated, or spouse is a nonresident alien, check the Single box.

4 Total number of allowances you are claiming (from line F of the worksheet on page 2) . . . .

5 Additional amount, if any, you want deducted from each pay . . . . $

6 I claim exemption from withholding because (see instructions and check boxes below that apply):

a ☐ Last year I did not owe any Federal income tax and had a right to a full refund of **ALL** income tax withheld, **AND**

b ☐ This year I do not expect to owe any Federal income tax and expect to have a right to a full refund of **ALL** income tax withheld. If both a and b apply, enter "EXEMPT" here . . . . ▶

c If you entered "EXEMPT" on line 6b, are you a full-time student? . . . . ☐ Yes ☐ No

Under the penalties of perjury, I certify that I am entitled to the number of withholding allowances claimed on this certificate, or if claiming exemption from withholding, that I am entitled to claim the exempt status.

Employee's signature ▶ Date ▶ , 19

7 Employer's name and address (including ZIP code) (FOR EMPLOYER'S USE ONLY)

8 Office code

9 Employer identification number

16-6 An employee must fill out a W-4 Form when he or she begins working for an employer.

security tax are withheld from your pay.

At the start of each year, you will receive a *W-2 Form* from your employer. This is called a Wage and Tax Statement, 16-7. It states the amount you were paid in the previous year. It also gives the amounts of income tax and social security tax that were withheld during the year. (Remember, social security tax is also called FICA tax.)

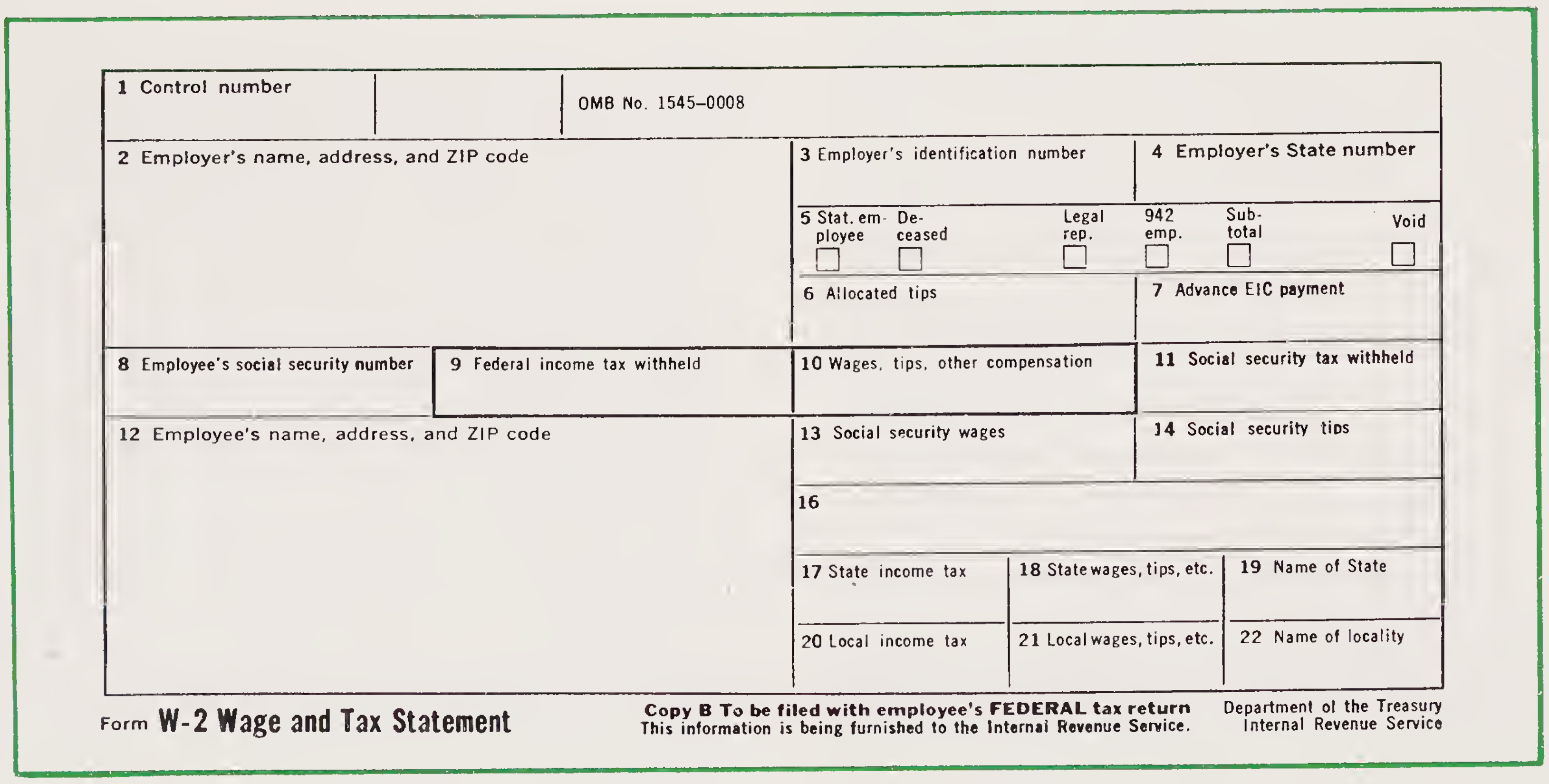
The amount of tax withheld from your paycheck depends on how much you earn and the number of exemptions you are allowed. An *exemption* is a source or an amount of income not subject to taxes. Every taxpayer can take a $1000 personal exemption. This allows you to deduct $1000 from your income before figuring taxes. Additional exemptions are allowed for blindness, for people over 65, for a spouse, and for dependents. Generally, exemptions cannot be claimed for dependents over age 19 who earn a set amount of money during the year. However, parents can claim exemptions for their dependent children over 19 who are students.

When preparing tax returns, it is important that you declare all your income. You should list all the income you made from wages, salaries, tips, and bonuses. You should also include the interest or dividends earned from savings accounts, stocks, bonds, and any other investments.

The three common forms for filing a federal tax return are the 1040EZ, 1040A, and the 1040. *Form 1040EZ* and *Form 1040A* are called the short forms because they are easier to file, 16-8. Either of these two forms may be used by taxpayers whose income falls within certain limits and who do not choose to itemize deductions. However, the 1040EZ can only be filed by certain single taxpayers.

Form 1040 must be used by taxpayers whose income is more than a certain amount annually. Others also may be required to use the long form because of their sources of income or because of deductions, adjustments to income, and tax credits they want to claim.

Deductions, adjustments to income, and *tax credits* are all expenses you can claim on Form 1040 to lower your tax bill. Charitable contributions, interest on loans, some medical and dental expenses, certain financial losses, and certain other expenses can be listed as deductions. Moving expenses, employee business expenses, and alimony are some of the adjustments that can be made. Tax credits can be claimed for political contributions, home improvements for energy conservation, and child care, 16-9. Tax credits are also



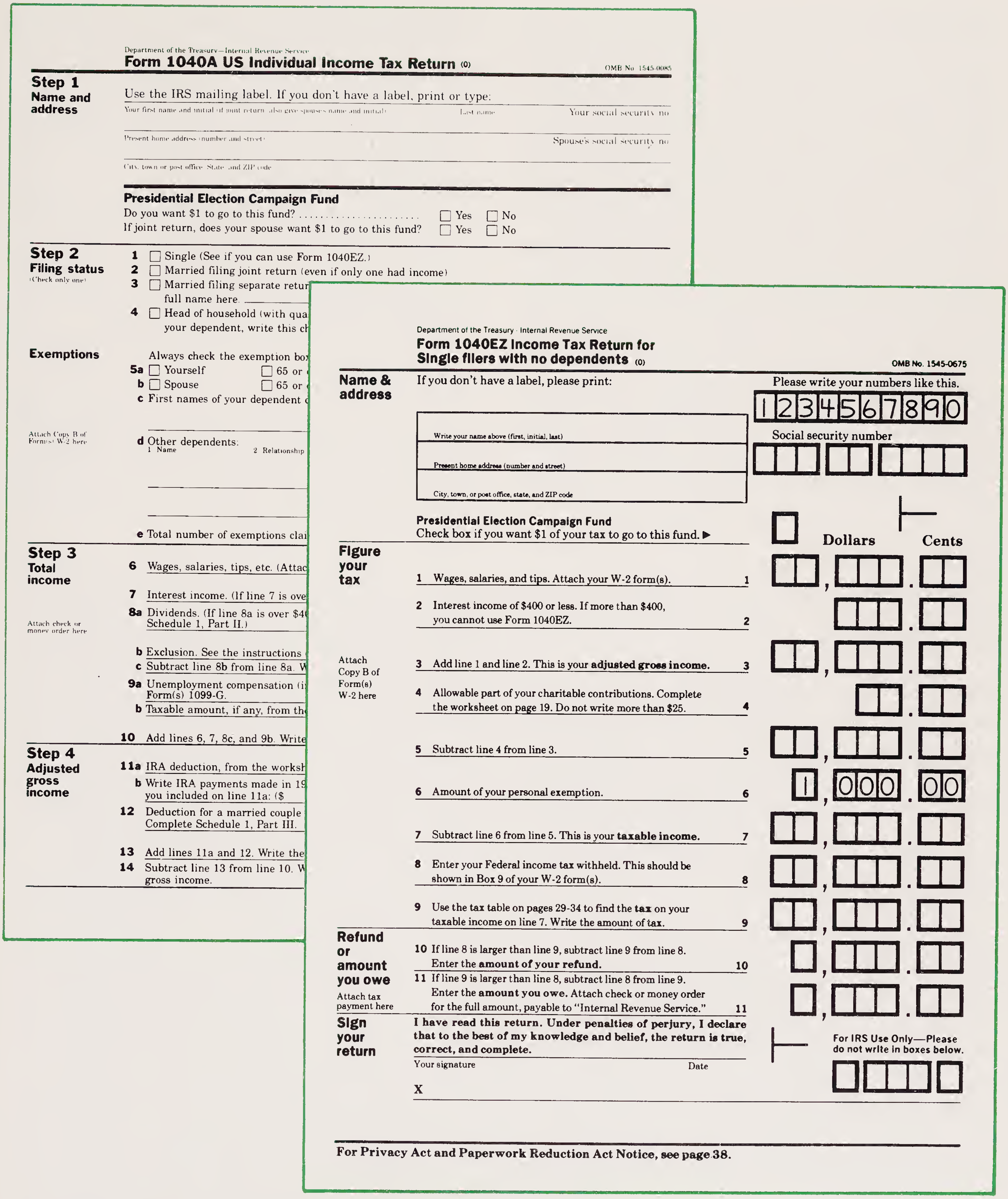
1 Control number
OMB No. 1545–0008
2 Employer's name, address, and ZIP code
3 Employer's identification number
4 Employer's State number
5 Stat. employee ☐ Deceased ☐ Legal rep. ☐ 942 emp. ☐ Subtotal ☐ Void ☐
6 Allocated tips
7 Advance EIC payment
8 Employee's social security number
9 Federal income tax withheld
10 Wages, tips, other compensation
11 Social security tax withheld
12 Employee's name, address, and ZIP code
13 Social security wages
14 Social security tips
16
17 State income tax
18 State wages, tips, etc.
19 Name of State
20 Local income tax
21 Local wages, tips, etc.
22 Name of locality

Form **W-2 Wage and Tax Statement**

Copy B To be filed with employee's FEDERAL tax return
This information is being furnished to the Internal Revenue Service.

Department of the Treasury
Internal Revenue Service

16-7 At the end of each year, employers will send each of their employees a W-2 Wage and Tax Statement.



Department of the Treasury—Internal Revenue Service

Form 1040A US Individual Income Tax Return (0)

OMB No 1545-0085

Step 1
Name and address

Use the IRS mailing label. If you don't have a label, print or type:

Your first name and initial (if joint return, also give spouse's name and initial) | Last name | Your social security no

Present home address (number and street) | Spouse's social security no

City, town or post office, State, and ZIP code

Presidential Election Campaign Fund

Do you want $1 to go to this fund? .... ☐ Yes ☐ No

If joint return, does your spouse want $1 to go to this fund? ☐ Yes ☐ No

Step 2
Filing status
(Check only one)

1 ☐ Single (See if you can use Form 1040EZ.)

2 ☐ Married filing joint return (even if only one had income)

3 ☐ Married filing separate retur
full name here. ________

4 ☐ Head of household (with qua
your dependent, write this ch

Exemptions

Always check the exemption box

5a ☐ Yourself ☐ 65 or

b ☐ Spouse ☐ 65 or

c First names of your dependent c

Attach Copy B of Form(s) W-2 here

d Other dependents:
1 Name 2 Relationship

e Total number of exemptions clai

Step 3
Total income

6 Wages, salaries, tips, etc. (Attac

7 Interest income. (If line 7 is ove

8a Dividends. (If line 8a is over $4
Schedule 1, Part II.)

Attach check or money order here

b Exclusion. See the instructions

c Subtract line 8b from line 8a. W

9a Unemployment compensation (i
Form(s) 1099-G.

b Taxable amount, if any, from th

10 Add lines 6, 7, 8c, and 9b. Write

Step 4
Adjusted gross income

11a IRA deduction, from the worksh

b Write IRA payments made in 19
you included on line 11a: ($

12 Deduction for a married couple
Complete Schedule 1, Part III.

13 Add lines 11a and 12. Write the

14 Subtract line 13 from line 10. W
gross income.

Department of the Treasury · Internal Revenue Service

Form 1040EZ Income Tax Return for Single filers with no dependents (0)

OMB No. 1545-0675

Name & address

If you don't have a label, please print:

Please write your numbers like this.

1234567890

Write your name above (first, initial, last)

Present home address (number and street)

City, town, or post office, state, and ZIP code

Social security number

Presidential Election Campaign Fund
Check box if you want $1 of your tax to go to this fund. ▶ ☐

		Dollars	Cents
Figure your tax	1 Wages, salaries, and tips. Attach your W-2 form(s). 1	☐☐,☐☐☐	.☐☐
	2 Interest income of $400 or less. If more than $400, you cannot use Form 1040EZ. 2	☐☐☐	.☐☐
Attach Copy B of Form(s) W-2 here	3 Add line 1 and line 2. This is your **adjusted gross income**. 3	☐☐,☐☐☐	.☐☐
	4 Allowable part of your charitable contributions. Complete the worksheet on page 19. Do not write more than $25. 4	☐☐	.☐☐
	5 Subtract line 4 from line 3. 5	☐☐,☐☐☐	.☐☐
	6 Amount of your personal exemption. 6	1,000	.00
	7 Subtract line 6 from line 5. This is your **taxable income**. 7	☐☐,☐☐☐	.☐☐
	8 Enter your Federal income tax withheld. This should be shown in Box 9 of your W-2 form(s). 8	☐☐,☐☐☐	.☐☐
	9 Use the tax table on pages 29-34 to find the **tax** on your taxable income on line 7. Write the amount of tax. 9	☐☐,☐☐☐	.☐☐
Refund or amount you owe	10 If line 8 is larger than line 9, subtract line 9 from line 8. Enter the **amount of your refund**. 10	☐,☐☐☐	.☐☐
Attach tax payment here	11 If line 9 is larger than line 8, subtract line 8 from line 9. Enter the **amount you owe**. Attach check or money order for the full amount, payable to "Internal Revenue Service." 11	☐,☐☐☐	.☐☐

Sign your return

I have read this return. Under penalties of perjury, I declare that to the best of my knowledge and belief, the return is true, correct, and complete.

Your signature Date

X

For IRS Use Only—Please do not write in boxes below.

☐ ☐☐☐ ☐

For Privacy Act and Paperwork Reduction Act Notice, see page 38.

16-8 Many taxpayers can use Form 1040EZ or Form 1040A to file their taxes. However, as taxpayers' incomes increase and their financial affairs become more complicated, they may need to use Form 1040, the long form.

available for the elderly.

It will be to your advantage to use Form 1040 when deductions, adjustments to income, and tax credits can reduce your taxes. When using this form, you may want to consult a tax specialist to help you determine what expenses you can claim. Reducing your taxes by claiming legitimate deductions, adjustments, and credits is called *tax avoidance.* It is a legal way to avoid paying unnecessary taxes. Failing to declare all income and falsifying deductions, adjustments, and credits are forms of *tax evasion.* This is a criminal offense which can carry heavy penalties.

The final date for filing taxes for the previous year is April 15. If that date falls on a Saturday, Sunday, or legal holiday, taxes are due on the next business day. Returns must be postmarked no later than the due date. Late payment may result in penalties. Tax returns are sent to the Internal Revenue Service Center for your region. The *Internal Revenue Service (IRS)* is the federal government agency that enforces federal tax laws and collects taxes.

Tax rates and laws change from year to year. The latest edition of the IRS publication, *Your Federal Income Tax,* will give up-to-date details on who must file a federal income tax return, what form to use, and how to file. This publication is available at your nearest IRS office. Once you file a return, you will receive a tax package at the beginning of each year from the IRS. It will provide instructions for filing.

Record keeping for tax purposes. You need certain records, receipts, and documents to help you fill out tax return forms. Accurate, detailed records are particularly important for itemized deductions, adjustments to income, and tax credits. Here are some of the items you may need for tax purposes.

- Records of income including wages, tips, and taxable benefits.
- Records of interest earned and dividends received.
- Canceled checks for expenses entered on tax returns as deductions.
- Itemized bills and receipts for deductions that cannot be documented by canceled checks alone.
- Bills and receipts for permanent home improvements and major purchases.
- Records of interest paid on charge accounts, home mortgages, and other loans.
- Real estate closing statements.
- Investment transactions including purchase and sale dates, prices, and commissions.
- Past tax returns.

If your return is audited by the IRS, you will probably need these records to verify your deductions, adjustments, and credits.

Tax legislation

Since major changes in tax policies can cause major changes in the economy, any tax legislation needs to be considered carefully. Here are some questions you as a citizen, voter, and taxpayer need to consider when evaluating tax changes.

Will a new tax or tax change produce adequate revenues? Tax legislation needs to be examined from a revenue-producing point of view. Revenues must be large enough to meet government expenses and to achieve the goals of the tax proposal. It also is desirable for revenues to be considerably higher than the cost of administering, enforcing, and collecting the taxes. (The federal income tax is very efficient, costing about 1/2¢ per dollar to collect. Property taxes cost 3¢ or more per dollar to collect.)

Is the tax fair? To be fair, a tax must fit the taxpayer's ability to pay. In addition, the tax burden should be distributed fairly among taxpayers. Generally, those with similar incomes and resources should be taxed at the same rate. Fairness also requires that taxpayers be aware of the tax, the cost of the tax, and the use of its revenues.

Is the economic impact of tax legislation minimal or beneficial? Almost all tax legislation interferes with the operation of the market system to some degree. Tax laws that keep the interference to a minimum or that achieve positive economic goals are considered best. Tax laws that cause major economic problems or that seriously interfere with the forces of supply and demand should be avoided.

Tax problems

In viewing the present tax system, certain flaws are obvious. As a taxpayer and voter, you need to be aware of the quirks in the system. Two major problem areas are discussed here—tax loopholes and the assessment of property taxes.

In our tax system, a variety of deductions and exemptions apply only to a limited number of people. These are often called *tax loopholes.* They lower the tax burden for some taxpayers and in so doing increase the tax burden for others.

The assessment of property taxes usually involves four steps, although the steps may vary from district to district. Each step in the process leaves room for unfair taxing through incompetence or corruption.

The first step is determining the *fair market value* of the property. This is the amount the property would bring if offered for sale. The second step is determining the *taxable value.* This is a percentage of the fair market value and is set by law.

Step three is establishing a *tax rate.* Each state and local government sets its own tax rate to produce the revenues needed to pay for government expenditures. In some areas, the maximum tax rate is set by law.

The last step is applying an *equalizer formula.* This formula is used to rate different types of property differently for tax purposes. As a result, residential, commercial, industrial, and agricultural properties are taxed at different rates. Equalizer formulas also

WEEKDAY PRESCHOOL

16-9 Taxpayers who must pay someone to care for their children while they work or look for work may be able to claim tax credits for child care expenses.

may be used to adjust tax rates in urban and suburban districts.

SOCIAL SECURITY

Social security is the federal government's basic program for providing income when earnings are reduced or stopped because of retirement, disability, or death. Social security also provides hospital and medical insurance to the elderly and the disabled through the Medicare program. (Medicare is discussed in Chapter 8.) The *Social Security Administration* of the Department of Health and Human Services is the government agency that administers the social security program.

When the social security program was begun in 1935, it covered only workers in industry and commerce. Now the program covers almost everyone who works except for federal government employees employed before 1984, railroad workers, and some state and local government employees. These groups are covered by other forms of insurance.

Employees and their employers share the cost of social security taxes. Self-employed workers pay higher social security taxes because they have no employers to pay a share of the tax. All workers pay social security taxes on their earnings as long as they work.

The social security tax is figured as a percentage of an employee's income. Whatever an employee pays in social security taxes, the employer must pay an equal amount. The employer deducts the tax from each employee's paycheck. Then the employer sends this amount and the employer's share to the Internal Revenue Service under the employee's name and social security number. The amount of social security tax deducted appears on an employee's paycheck under social security or the letters FICA. This stands for the Federal Insurance Contributions Act.

Your social security number

If your work is covered by social security or if you have taxable income, you need a social security number. A social security number serves two major purposes. The Social Security Administration uses this number to keep a record of your covered earnings. These earnings determine the amount you will eventually receive in retirement benefits or in disability benefits if you should become disabled and benefits to your survivors should you die. The Internal Revenue Service uses your social security number as a taxpayer identification. The number must be used on all returns and forms filed with the IRS.

No two social security numbers are alike. Your social security number is yours alone. It prevents your records from getting mixed up with the records of someone else who may have the same name.

If you don't have a social security number, you can apply for one at any social security office, 16-10 and 16-11. People should apply for their card at least two weeks before they need it.

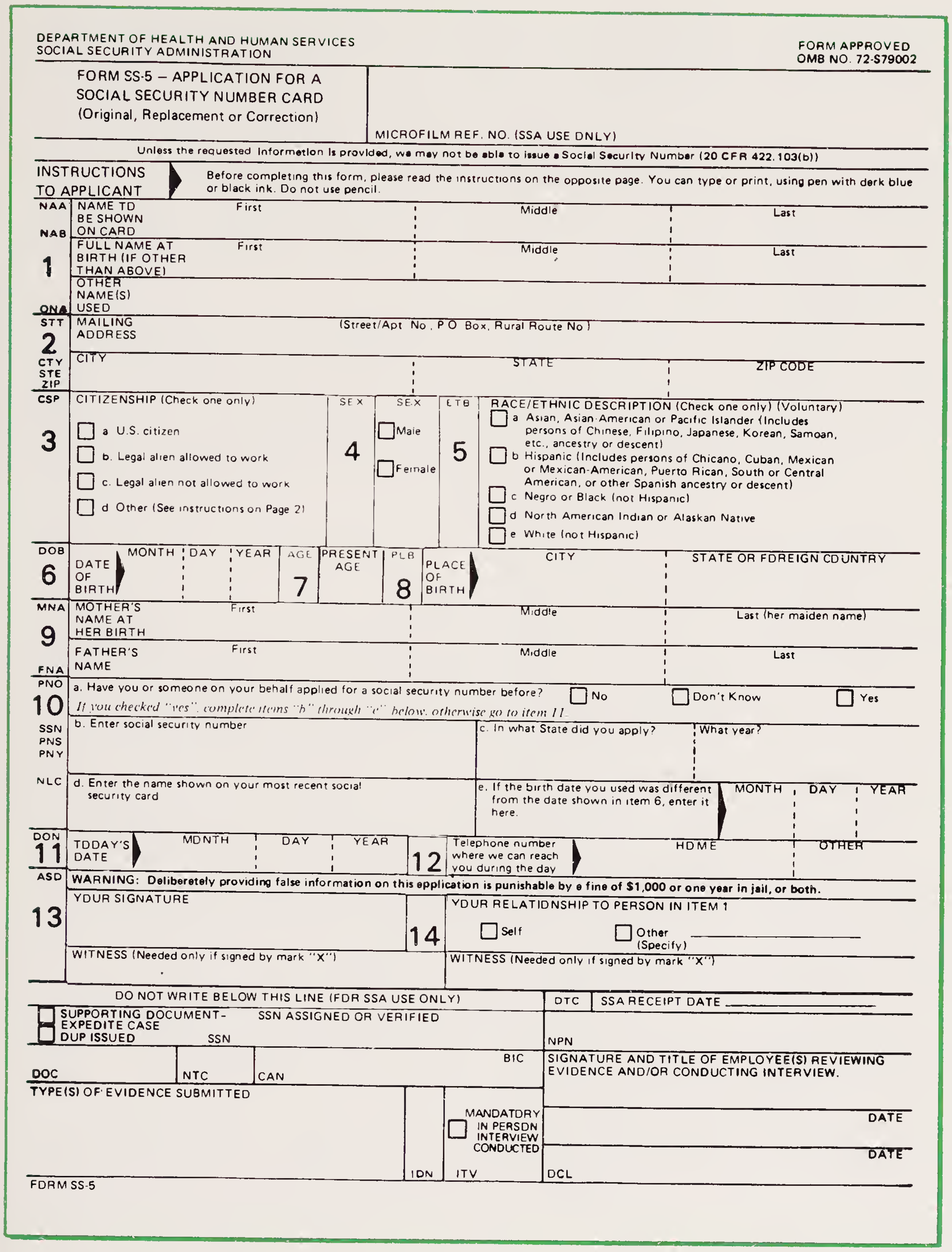
If you lose your social security card, contact a social security office and ask them to send you another one. You should also contact the social security office if you change your name so you can get a new card showing your new name.

Social security benefits

When you begin working, your social security taxes pay for the benefits others receive. When you retire, become disabled, or die, the taxes of others pay for the benefits you and your family receive. Before a worker or a worker's family can receive benefits, the worker must have worked a certain amount of time under social security. The amount of the benefits depends on the worker's average earnings over a period of years and the age of the worker. Here are the types of benefits the social security program provides.

Retirement benefits. Workers become eligible for full retirement benefits at age 65. Workers may retire as early as age 62, but they will receive only about 80 percent of retirement benefits. Retirement benefits may also be made to a retired worker's:

- Unmarried children under 18 (or 19 if full-time high school students).
- Unmarried children 18 or over who were



DEPARTMENT OF HEALTH AND HUMAN SERVICES
SOCIAL SECURITY ADMINISTRATION

FORM APPROVED
OMB NO. 72-S79002

FORM SS-5 – APPLICATION FOR A
SOCIAL SECURITY NUMBER CARD
(Original, Replacement or Correction)

MICROFILM REF. NO. (SSA USE ONLY)

Unless the requested information is provided, we may not be able to issue a Social Security Number (20 CFR 422.103(b))

INSTRUCTIONS TO APPLICANT ▶ Before completing this form, please read the instructions on the opposite page. You can type or print, using pen with dark blue or black ink. Do not use pencil.

NAA NAB 1 ONA	NAME TO BE SHOWN ON CARD	First	Middle	Last
	FULL NAME AT BIRTH (IF OTHER THAN ABOVE)	First	Middle	Last
	OTHER NAME(S) USED			
STT 2 CTY STE ZIP	MAILING ADDRESS	(Street/Apt No., P O Box, Rural Route No.)		
	CITY		STATE	ZIP CODE

CSP 3 CITIZENSHIP (Check one only)

- ☐ a U.S. citizen
- ☐ b. Legal alien allowed to work
- ☐ c. Legal alien not allowed to work
- ☐ d Other (See instructions on Page 2)

SEX 4 SEX

- ☐ Male
- ☐ Female

ETB 5 RACE/ETHNIC DESCRIPTION (Check one only) (Voluntary)

- ☐ a Asian, Asian-American or Pacific Islander (Includes persons of Chinese, Filipino, Japanese, Korean, Samoan, etc., ancestry or descent)
- ☐ b Hispanic (Includes persons of Chicano, Cuban, Mexican or Mexican-American, Puerto Rican, South or Central American, or other Spanish ancestry or descent)
- ☐ c Negro or Black (not Hispanic)
- ☐ d North American Indian or Alaskan Native
- ☐ e White (not Hispanic)

DOB 6 DATE OF BIRTH ▶ MONTH | DAY | YEAR

AGE 7 PRESENT AGE

PLB 8 PLACE OF BIRTH ▶ CITY | STATE OR FOREIGN COUNTRY

MNA 9 FNA	MOTHER'S NAME AT HER BIRTH	First	Middle	Last (her maiden name)
	FATHER'S NAME	First	Middle	Last

PNO 10 a. Have you or someone on your behalf applied for a social security number before? ☐ No ☐ Don't Know ☐ Yes

If you checked "yes", complete items "b" through "e" below, otherwise go to item 11.

SSN PNS PNY b. Enter social security number | c. In what State did you apply? | What year?

NLC d. Enter the name shown on your most recent social security card | e. If the birth date you used was different from the date shown in item 6, enter it here. ▶ MONTH | DAY | YEAR

DON 11 TODAY'S DATE ▶ MONTH | DAY | YEAR

12 Telephone number where we can reach you during the day ▶ HOME | OTHER

ASD WARNING: **Deliberately providing false information on this application is punishable by a fine of $1,000 or one year in jail, or both.**

13 YOUR SIGNATURE

14 YOUR RELATIONSHIP TO PERSON IN ITEM 1 ☐ Self ☐ Other (Specify) ____________

WITNESS (Needed only if signed by mark "X")

WITNESS (Needed only if signed by mark "X")

DO NOT WRITE BELOW THIS LINE (FOR SSA USE ONLY)

DTC | SSA RECEIPT DATE ____________

☐ SUPPORTING DOCUMENT-EXPEDITE CASE
☐ DUP ISSUED

SSN ASSIGNED OR VERIFIED

SSN

NPN

DOC | NTC | CAN | BIC

SIGNATURE AND TITLE OF EMPLOYEE(S) REVIEWING EVIDENCE AND/OR CONDUCTING INTERVIEW.

TYPE(S) OF EVIDENCE SUBMITTED

IDN

☐ MANDATORY IN PERSON INTERVIEW CONDUCTED

ITV

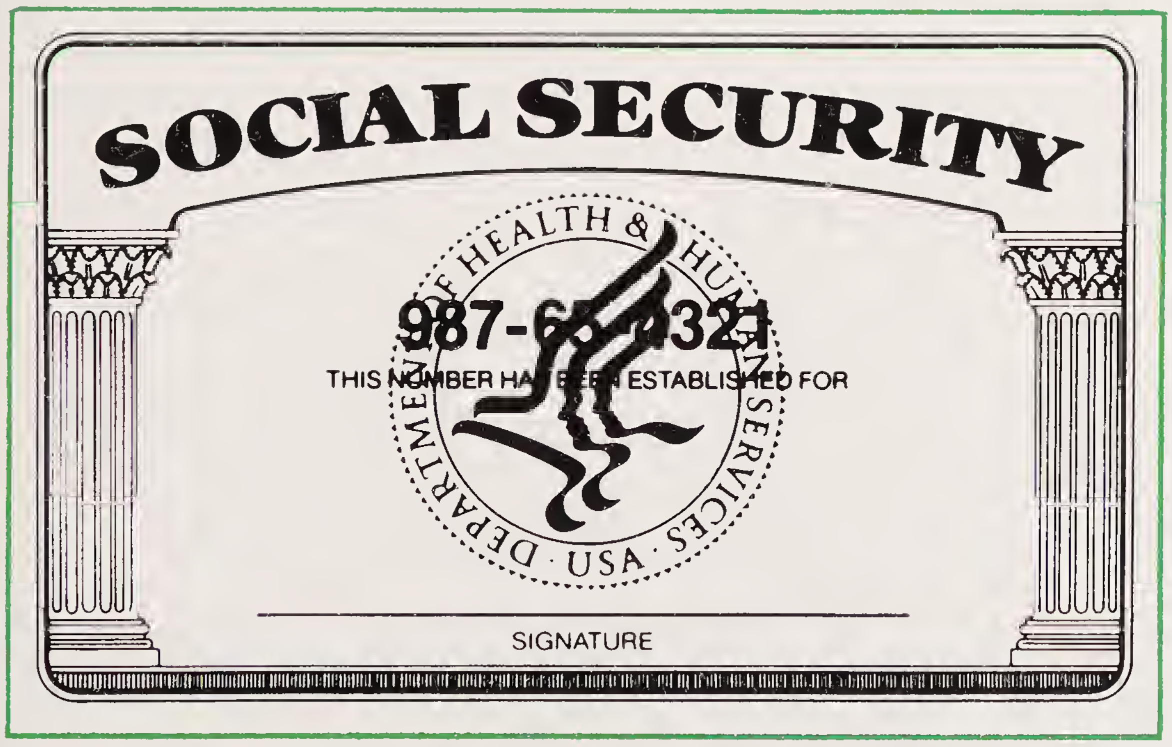
DATE

DATE

DCL

FORM SS-5

16-10 To receive a social security number, you must complete this application form and return it to the nearest social security office.



SOCIAL SECURITY

987-65-4321

THIS NUMBER HAS BEEN ESTABLISHED FOR

SIGNATURE

16-11 After your social security application is processed, you will receive a social security card with your name and number on it.

severely disabled before 22 and who continue to be disabled.
- Spouse 62 or over.
- Spouse under 62 if caring for worker's child under 16 (or disabled) who is getting a benefit based on the retired worker's earnings.

Disability benefits. A worker who becomes disabled before 65 may receive disability benefits. Under social security, you are considered disabled if you have a severe physical or mental condition which prevents you from working. Monthly disability benefits may also be paid to a disabled worker's:

- Unmarried children under 18 (or 19 if full-time high school students).
- Unmarried children 18 or over who were severely disabled before 22 and who continue to be disabled.
- Spouse 62 or over.
- Spouse under 62 if caring for worker's child under 16 (or disabled) who is getting a benefit based on the earnings of the disabled worker.

Survivors benefits. If the worker dies, survivors benefits may be paid to certain members of the worker's family. A single, lump-sum payment may also be made when a worker dies. This payment usually goes to the surviving spouse. Monthly survivors benefits may be paid to a deceased worker's:

- Unmarried children under 18 (or 19 if full-time high school students).
- Unmarried children 18 or over who were severely disabled before 22 and who continue to be disabled.
- Spouse 60 or older.
- Spouse under 60 if caring for worker's child under 16 (or disabled) who is getting a benefit based on the earnings of the deceased worker.
- Spouse 50 or older who becomes disabled.
- Dependent parents 62 or older.

Social security benefits do not start automatically. When a person becomes eligible, he or she must apply for them at the nearest social security office. The Social Security Administration calculates the benefits and issues the monthly payments. The Administration will also calculate possible future benefits based on a worker's current earnings. However, calculations cannot be exact when a worker is far from retirement age. It is also a good idea to check your social security record every few years to make sure that your earnings are being credited to your record. You can get a free postcard form at any social security office for this purpose.

When you are planning to retire, contact the social security office in your area several months before you actually retire. This will give the office plenty of time to calculate your benefits so you can receive payments as soon as you are eligible.

A look ahead

In recent years, the financial stability of the social security system has been threatened. This has been caused primarily by the fact that the number of persons receiving benefits has grown faster than the number of workers paying into the system. In 1983, new legislation was passed to strengthen the stability of the system. The new law included these provisions:

- Bring federal government employees and other previously uncovered workers under the social security system to broaden the base and increase contributions.
- Speed up the scheduled increases in social security taxes.
- Offer incentives to workers to delay their retirement beyond age 65.
- Delay cost of living increases in social security benefits and stabilize the formula for cost of living benefit increases.
- Reduce social security benefits paid to those who receive pension benefits from work not covered by social security.
- Tax social security benefits for higher income recipients.
- Raise the retirement age over a period of years from 65 to 67.

Further changes may be necessary in the future to maintain the financial soundness of the system. Keep in mind, it is your money at both ends – paying and receiving. It is in your best interest to keep up with new developments in the social security system as they relate both to taxes and to benefits.

to Know

adjustment to income
corporate income tax
deduction
direct tax
exemption
Form 1040
Form 1040A
indirect tax
Internal Revenue Service (IRS)
personal income tax
progressive tax
property tax
regressive tax
sales tax
social security
social security tax
tax avoidance
tax credit
tax evasion
tax loopholes
W-2 Form
W-4 Form

to Review

1. How can overregulation cause inflation?
2. Why are critics of additional regulation against additional regulation?
3. Name three consumer-related agencies and describe the primary functions of each.
4. Most taxpayers pay ______ of their income for federal, state, and local taxes.
    a. One fourth.
    b. One half.
    c. Two fifths.
    d. One third.
5. What is the primary purpose of taxes?
6. What are the two largest sources of federal tax dollars?
7. How does the federal government spend most of the tax money it collects?
8. Name the four major types of taxes that help finance most state and local governments.
9. What determines the amount of tax withheld from an employee's paycheck?
10. What are the two common forms for filing taxes? Which is the simpler form to file?
11. Why are tax loopholes a problem in our tax system?
12. The social security program provides income when family earnings are reduced or stopped because of ________, ________, or ________.
13. What determines the amount of social security benefits an eligible person can receive?
14. What are the two major purposes of social security numbers?
15. What is the main reason financial problems are occurring in the social security system?

to Discuss

1. How do you feel about government regulations? Do you think there are too many regulations or not enough? Why?
2. What government agencies exist in your community, and what services do they provide?
3. What government agencies do you find most and least essential? Why?
4. What government services would you be willing to pay higher taxes to support? Why?
5. If you had the task of reducing federal government spending, what programs or services would you cut or eliminate and why?
6. What records might you need to keep for tax purposes?
7. How do you go about getting a social security card?
8. What actions would you recommend for solving the financial problems of the social security program?

to Do

1. Choose a federal government agency, and investigate it thoroughly. Find out what services it provides, its sources of revenue, its expenditures, the number of regional, state, or local offices it has, and the number of people it employs. Report your findings to the class.
2. Obtain copies of tax forms from the post office or the nearest IRS office to study and complete. Underline and discuss in class any words, phrases, or instructions on the forms that you do not understand.
3. Visit your local social security office and obtain pamphlets about the social security program and Medicare. Using this information, prepare a three-page written report describing the purposes of the social security program and Medicare and the benefits they provide.

Appendix A
Recommended Daily Dietary Allowances

RECOMMENDED DAILY DIETARY ALLOWANCES [a]

Designed for the maintenance of good nutrition of practically all healthy people in the U.S.A.

	Age (years)	Weight (kg)	Weight (lbs)	Height (cm)	Height (in)	Protein (g)	Fat-Soluble Vitamins			Water-Soluble Vitamins							Minerals					
							Vitamin A (μg R.E.)[b]	Vitamin D (μg)[c]	Vitamin E (mg α T.E.)[d]	Vitamin C (mg)	Thiamin (mg)	Riboflavin (mg)	Niacin (mg N.E.)[e]	Vitamin B6 (mg)	Folacin[f] (μg)	Vitamin B12 (μg)	Calcium (mg)	Phosphorus (mg)	Magnesium (mg)	Iron (mg)	Zinc (mg)	Iodine (μg)
Infants	0.0-0.5	6	13	60	24	kg x 2.2	420	10	3	35	0.3	0.4	6	0.3	30	0.5[g]	360	240	50	10	3	40
	0.5-1.0	9	20	71	28	kg x 2.0	400	10	4	35	0.5	0.6	8	0.6	45	1.5	540	360	70	15	5	50
Children	1-3	13	29	90	35	23	400	10	5	45	0.7	0.8	9	0.9	100	2.0	800	800	150	15	10	70
	4-6	20	44	112	44	30	500	10	6	45	0.9	1.0	11	1.3	200	2.5	800	800	200	10	10	90
	7-10	28	62	132	52	34	700	10	7	45	1.2	1.4	16	1.6	300	3.0	800	800	250	10	10	120
Males	11-14	45	99	157	62	45	1000	10	8	50	1.4	1.6	18	1.8	400	3.0	1200	1200	350	18	15	150
	15-18	66	145	176	69	56	1000	10	10	60	1.4	1.7	18	2.0	400	3.0	1200	1200	400	18	15	150
	19-22	70	154	177	70	56	1000	7.5	10	60	1.5	1.7	19	2.2	400	3.0	800	800	350	10	15	150
	23-50	70	154	178	70	56	1000	5	10	60	1.4	1.6	18	2.2	400	3.0	800	800	350	10	15	150
	51 +	70	154	178	70	56	1000	5	10	60	1.2	1.4	16	2.2	400	3.0	800	800	350	10	15	150
Females	11-14	46	101	157	62	46	800	10	8	50	1.1	1.3	15	1.8	400	3.0	1200	1200	300	18	15	150
	15-18	55	120	163	64	46	800	10	8	60	1.1	1.3	14	2.0	400	3.0	1200	1200	300	18	15	150
	19-22	55	120	163	64	44	800	7.5	8	60	1.1	1.3	14	2.0	400	3.0	800	800	300	18	15	150
	23-50	55	120	163	64	44	800	5	8	60	1.0	1.2	13	2.0	400	3.0	800	800	300	18	15	150
	51 +	55	120	163	64	44	800	5	8	60	1.0	1.2	13	2.0	400	3.0	800	800	300	10	15	150
Pregnant						+30	+200	+5	+2	+20	+0.4	+0.3	+2	+0.6	+400	+1.0	+400	+400	+150	*h*	+5	+25
Lactating						+20	+400	+5	+3	+40	+0.5	+0.5	+5	+0.5	+100	+1.0	+400	+400	+150	*h*	+10	+50

[a] The allowances are intended to provide for individual variations among most normal persons as they live in the United States under usual environmental stresses. Diets should be based on a variety of common foods in order to provide other nutrients for which human requirements have been less well defined. See text for detailed discussion of allowances and of nutrients not tabulated. See Table III (p. 4) for weights and heights by individual year of age. See Table III (p. 4) for suggested average energy intakes.

[b] Retinol equivalents. 1 retinol equivalent = 1 μg retinol or 6 μg β-carotene. See text for calculation of vitamin A activity of diets as retinol equivalents.

[c] As cholecalciferol. 10 μg cholecalciferol = 400 I.U. vitamin D.

[d] α tocopherol equivalents. 1 mg d-α-tocopherol = 1 α T.E. See text for variation in allowances and calculation of vitamin E activity of the diet as α tocopherol equivalents.

[e] 1 N.E. (niacin equivalent) is equal to 1 mg of niacin or 60 mg of dietary tryptophan.

[f] The folacin allowances refer to dietary sources as determined by *Lactobacillus casei* assay after treatment with enzymes ("conjugases") to make polyglutamyl forms of the vitamin available to the test organism.

[g] The RDA for vitamin B12 in infants is based on average concentration of the vitamin in human milk. The allowances after weaning are based on energy intake (as recommended by the American Academy of Pediatrics) and consideration of other factors such as intestinal absorption; see text.

[h] The increased requirement during pregnancy cannot be met by the iron content of habitual American diets nor by the existing iron stores of many women; therefore the use of 30 - 60 mg of supplemental iron is recommended. Iron needs during lactation are not substantially different from those of nonpregnant women, but continued supplementation of the mother for 2 - 3 months after parturition is advisable in order to replenish stores depleted by pregnancy.

Food and Nutrition Board, National Academy of Sciences-National Research Council, Revised 1980

Appendix B

U.S. Recommended Daily Allowances

UNITED STATES RECOMMENDED DAILY ALLOWANCES (U.S. RDA)

	UNIT	INFANTS (0-12 MO.)	CHILDREN UNDER 4 YRS.	ADULTS AND CHILDREN 4 OR MORE YRS.	PREGNANT OR LACTATING WOMEN
Vitamin A	IU	1500	2500	5000	8000
Vitamin D	IU	400	400	400	400
Vitamin E	IU	5	10	30	30
Vitamin C	mg	35	40	60	60
Folacin	mg	0.1	0.2	0.4	0.8
Thiamin (B_1)	mg	0.5	0.7	1.5	1.7
Riboflavin (B_2)	mg	0.6	0.8	1.7	2.0
Niacin	mg	8	9	20	20
Vitamin B_6	mg	0.4	0.7	2	2.5
Vitamin B_{12}	mcg	2	3	6	8
Biotin	mg	0.05	0.15	0.3	0.3
Pantothenic acid	mg	3	5	10	10
Calcium	g	0.6	0.8	1	1.3
Iron	mg	15	10	18	18
Phosphorus	g	0.5	0.8	1	1.3
Iodine	mcg	45	70	150	150
Magnesium	mg	70	200	400	450
Zinc	mg	5	8	15	15
Copper	mg	0.6	1	2	2.0

g = gram mg = milligram mcg = microgram IU = International unit

Appendix C

Metric Conversions

CONVENTIONAL TO METRIC

WHEN YOU KNOW	MULTIPLY BY	TO FIND
	Length	
inches	25.40	millimetres
inches	2.54	centimetres
feet	0.3048	metres
yards	0.9144	metres
miles	1.6093	kilometres
	Weight	
ounces	28.350	grams
pounds	454.00	grams
pounds	0.454	kilograms
	Volume	
ounces	29.573	millilitres
pints	0.473	litres
quarts	0.946	litres
gallons	3.785	litres
	Energy	
kilojoule	0.239	kilocalorie
	Temperature	
Fahrenheit	5/9 (after subtracting 32)	Celsius

METRIC TO CONVENTIONAL

WHEN YOU KNOW	MULTIPLY BY	TO FIND
	Length	
millimetres	0.039	inches
centimetres	0.394	inches
metres	3.2808	feet
metres	1.0936	yards
kilometres	0.6214	miles
	Weight	
grams	0.035	ounces
grams	0.002	pounds
kilograms	2.2	pounds
	Volume	
millilitres	0.034	ounces
litres	2.1	pints
litres	1.056	quarts
litres	0.264	gallons
	Energy	
kilocalorie	4.184	kilojoule
	Temperature	
Celsius	9/5 (then add 32)	Fahrenheit

Glossary

A

abstract of title: a legal document which describes the past ownership of property showing the history of all transactions which affect title or ownership.

annual percentage rate (APR): the actual rate of interest figured on a yearly basis.

annuity: contract calling for payment of a fixed sum for a given period of time or for life.

anti-trust laws: the laws and legal actions designed to insure fair trade and competition and to prevent monopolies in trade.

appraisal: the evaluation of the worth of something; frequently used in connection with insurance claims, taxable value of property, and sale of real estate.

arbitration: a method of settling disputes outside of court in which the parties involved agree to accept the decision of a third party.

assets: possessions of value, such as cash, stocks, bonds, real estate, and investments.

attorney: person trained, qualified, and admitted to the practice of law (licensed to practice law). Legal agent qualified to act for clients in legal proceedings.

attorney general: head of the Department of Justice in the U.S. or chief law officer of each state. The Attorney General or the Assistant Attorney General represents the government in legal matters.

B

balance: a. an amount remaining due on an account or debt. b. the difference between deposits and withdrawals in an account. c. the distribution of design elements.

bankruptcy: a legal proceeding for the purpose of having a person or company ruled bankrupt or unable to pay obligations and to have the estate or assets divided among creditors.

bank statement: a record of checks, deposits, and charges on a bank account.

basic medical insurance: coverage that pays for hospitalization including room, board, and nursing services.

beneficiary: the person named in a life insurance policy to receive benefits or proceeds when they become payable; a person designated to receive property under the terms of a will.

Better Business Bureau: a nonprofit organization maintained by business which provides information concerning companies selling goods and services and offers a no-charge procedure for processing consumer complaints.

bill of sale: written evidence of the transfer of goods or services from seller to buyer.

bond: certificate of debt or obligation issued by a corporation or a government involving a promise to pay a certain amount of money on a specific date and interest at a stated rate.

brand name: identifying mark or design designating the manufacturer, seller, quality, or other characteristic of a product.

budget: a plan for the use of money based on goals and expected income and expenditures.

buying power: the capacity to buy as measured by income.

C

capital: assets in the form of cash and securities or property and equipment which can be converted to cash or something else of value.

capital gain: a gain resulting from the sale or exchange of capital assets at a price higher than that originally paid for the assets.

capital goods: the tools, equipment, and machinery used to produce goods or to provide services.

capitalism: an economic system in which the means of production are privately owned and controlled. It is characterized by competition and the profit motive.

cashier's check: a check drawn on its own funds and signed by an authorized officer of the bank, often the cashier.

certificate of deposit: (also called CD, savings certificate, time deposit, or time account) money deposited for a set period of time that earns a set annual rate of interest.

certified check: a personal check with a bank's guarantee that the check will be paid. (Required as a form of payment for certain types of transactions.)

chamber of commerce: association of business and professional firms organized to promote legitimate business interests and trade.

claim: a demand made to assert a legal right, such as a claim made by an insured person to an insurance company for settlement under terms of an insurance policy.

closing costs: fees that must be paid before the sale of a home can be made final.

closing date: day on which all credits, charges, and adjustments are computed on a credit account for billing purposes.

C.O.D.:(cash on delivery) payment is made when the merchandise is delivered.

collateral: something of value pledged as security for a loan.

command economy: an economy in which the state or other central authority decides how to use and distribute resources.

comparison shopping: looking at different brands and models of the same or similar products in several stores to compare prices, quality, features, and store services before buying.

competition: continuing struggle among business firms to gain a larger share of a given market or other advantages.

condominium: a form of home ownership in which an individual owns his or her own unit and shares ownership and expenses of maintaining common areas such as halls, stairs, lobby, and grounds.

consolidate: to bring together several debts or obligations under one contract.

consumers: those who use goods and services; buyers of goods and services.

contract: a legally binding agreement between two or more persons which creates, modifies, or cancels some legal relationship.

contract sale: a sale of property in which the seller helps the buyer with financing.

cooperative: any enterprise created and owned jointly by its members, operated for their mutual benefit, with a sharing of profits, if any, among the total membership; also a form of home ownership in which an individual buys shares in a corporation which owns the property. In return, the buyer becomes a resident in a designated unit and a member of the cooperative.

corporation: a legal entity created under law which may enter into agreements, carry on business activities, perform a variety of functions, and be subject to legal action and law suits.

co-signer: a person who signs a loan along with a borrower thereby agreeing to pay the obligation if the borrower fails to do so.

cost of living: the amount of money needed to buy goods and services required to maintain a certain standard of living.

creditor: an individual or business that makes credit available by lending money or selling goods and services on credit.

credit rating: a creditor's evaluation of a person's willingness and ability to pay debts as judged by past performance.

credit reporting agency: an organization which collects and keeps files of information on credit practices of individual consumers and makes information available to subscribing credit grantors and other businesses for confidential use, usually in making credit available to consumers.

credit union: a nonprofit financial association owned and operated by its members for its members. It accepts deposits and makes loans.

currency: any freely circulating and widely accepted medium of exchange; the official money of a country.

custom-made: something made to the individual order of a customer or to fit particular specifications set by the customer.

D

debt: something owed (usually money) by one person to another.

debtor: a person who owes money or assets.

deductible clause: a clause in an insurance policy that requires the policyholder to pay a specified amount of the loss or damages.

deduction: an expense that can be subtracted from a person's income before figuring taxes on Form 1040.

deed: the legal document by which a title for property is transferred.

delinquent: an obligation that has not been met—particularly a debt that has not been paid.

dependent: legally, one whose main financial support comes from another.

depreciation: a decrease in the value of an item over a period of time due to age, wear, and use—applies particularly in valuing property for tax purposes and insurance claims.

disability insurance: coverage which provides regular payments to cover the loss of income if a person is unable to work because of injury or illness.

discretionary income: the income remaining after meeting fixed and necessary expenses.

disposable income: after-tax income.

dividend: the amount of money paid out of earnings which is divided among shareholders or creditors—usually it represents a share of profits paid in proportion to the share of ownership.

down payment: the cash payment made on a credit purchase before the credit balance is figured.

due date: the day on which a debt, bill, or obligation becomes payable.

durable goods: products that have lasting value such as furniture, appliances, and cars.

E

earning power: the capacity to earn money through work or investments.

economics: the study of how society chooses to use productive resources to produce goods and services and to distribute them among various individuals and groups.

endorsement: a signature required on the back of a check to transfer it to another person or institution.

equity: the degree or amount of ownership in property.

eviction: the dispossession from property; forceful removal from one's residence.

expenditure: the outlay of money; the spending of money for goods and services.

expiration: the end of a specified time period or day on which something becomes ineffective.

export: to send merchandise or goods out of the country in which they originate.

F

finance: the science of dealing with money and credit; also to provide credit to a business or individual or to obtain credit for purchases or working capital for business.

finance charge: the total amount a purchaser must pay for the use of credit—includes all charges.

finance company: a company in the business of making loans to businesses or individuals.

financial statement: a statement of the financial condition of an individual or business organization—usually referring to assets and liabilities and income and expenses.

fiscal policies: government policies related to taxing and spending.

fixed expense: a set amount of money due on a set date.

fixed income: income which is fixed in amount, neither decreasing nor increasing for a long period of time or permanently.

Form 1040: (often called the long form) the tax form that must be used by taxpayers who earn more than a certain amount of income annually and those who wish to itemize deductions.

Form 1040A: (often called the short form) the tax form used by taxpayers with incomes within certain limits who do not itemize deductions.

fringe benefit: any of a variety of indirect, non-cash benefits provided to employees by employers.

G

generic products: items that do not carry brand names or trademarks; they usually sell for less than similar brand name items.

goals: the things that a person wants to attain.

grade: a classification and rating of goods and merchandise according to specific characteristics such as size, quality, uniformity, etc.

gratuity: a tip or amount of money given for service such as a tip given to a waiter, waitress, taxicab driver, hairdresser, or others who provide a service.

gross income: the total income before any deductions.

gross national product (GNP): the total market value of all goods and services produced by a nation's economy including the total purchases of goods and services by private consumers and government, gross private domestic capital investment, and net foreign investment; usually measured on the basis of one year.

H

Health Maintenance Organization (HMO): a program that provides a variety of health care services to members for a set prepaid fee.

I

import: to bring goods in from another country—also the item brought in.

impulse buying: generally, unplanned consumer purchases or "spur of the moment" buying of merchandise on display or on sale.

income: generally money received from one's business, labor, or investments.

Individual Retirement Account (IRA): an account to which taxpayers may make annual tax deductible contributions up to a set amount. The funds in the account accumulate and earn interest and may not be withdrawn before retirement without penalty.

inflation: an increase in prices or decrease in the value of money resulting from an increase in the amount of money in circulation relative to the amount of goods and services available.

installment account: an account whereby expensive items can be charged and then paid for according to a set schedule of monthly payments.

installment loan: a loan that is repaid in regular monthly payments over a set period of time.

insufficient funds: statement stamped on a check by a bank when the account against which a check is drawn does not contain enough money to cover the check.

insurance: a way of spreading and sharing financial risks; an insurance policy is a contract in which the insurer agrees to pay a set amount of money to the insured in the event of certain financial losses resulting from specific hazards or perils outlined in the policy; the insured agrees to pay a set premium either in installments or in a single sum.

interest: the price paid for the use of money over a period of time, usually stated as an annual percentage rate of the amount borrowed or used.

interest-bearing checking account: a combination savings and checking account which pays interest on savings and permits checks to be written; called share drafts in credit unions and negotiable orders of withdrawal or NOW accounts in banks and savings and loan associations.

inventory: a list of goods, possessions, and property on hand.

invoice: an itemized list of merchandise or services usually including a request for payment.

itemize: to draw up a detailed list of goods or parts purchased and services rendered with charges for each as on a sales slip.

K

Keogh Plan: a retirement account for self-employed persons that allows tax deductible contributions up to $15,000 or 15 percent of self-employment earnings, whichever is less, to be made to the account annually and claimed as a tax deduction. The funds in the account accumulate and earn interest and may not be withdrawn before retirement without penalty.

L

landlord: the owner of property who leases or rents it to another person (known as a tenant) for a specified period of time at an agreed upon rate of rental.

law: body of rules enforced by custom, authority, or legislation; also any one of such rules.

legal obligation: debt or promise to perform which can be enforced by legal means if necessary.

legal right: any right conveyed by or recognized by statute and enforceable by law.

liability: any obligation one is bound to honor.

liable: bound by law or ownership; chargeable by law; also exposed to a particular risk or hazard which is a possibility.

license: a non-transferable permission to do a specific thing or engage in a particular enterprise which is subject to some regulation by law, such as drive a car or operate a specific business.

lien: a claim against property for payment of some debt or obligation.

liquid assets: wealth which can be coverted easily to cash.

liquidate: to convert securities or other property to cash; to pay off a debt or obligation; also to settle or dissolve a business or estate by determining assets and liabilities and distributing assets to creditors to cover debts.

M

mail order: order for merchandise which is normally sent, received, and filled by mail.

major medical insurance: coverage which begins paying where basic coverage stops. It pays the largest share of expenses resulting from major illness or serious injury.

management: the process of organizing and utilizing resources to accomplish predetermined objectives; also the act of controlling and making decisions in the operation of a business enterprise or personal or family situation; also administrative aspect of an industry as opposed to labor.

manufacturer: an organization using capital, labor, and equipment in the production of manufactured items.

markdown: a reduction below the original price of an item.

market economy: an economy designed to respond to the people and reflect the decisions and choices of the people.

marketplace: generally the arena in which goods and services are bought and sold.

maturity date: the day an obligation such as a bond or certificate of deposit is due to be paid.

Medicaid: a medical assistance program administered by the state that helps pay for the health care services of low income people who are aged, blind, disabled, or financially needy.

Medicare: the health insurance program administered by the federal government that helps people who are 65 or older and disabled people of any age pay for many health care services.

mixed economy: a system in which means of production are largely owned privately but in which certain aspects of economic activity are controlled by government; e.g. both private enterprise and government shape the overall economy.

monetary policies: government policies that control the amount of money in circulation by controlling interest rates and credit terms.

money market certificate: a certificate of deposit which pays interest rates based on U.S. Treasury Bill rates.

money market fund: a mutual fund that invests only in high interest, short-term debts such as U.S. Treasury Bills, certificates of deposit, and commercial paper.

money order: an order for a specific amount of money payable to a specific payee.

money rate: the interest rate at which money may be borrowed for short-term loans.

monopoly: a market situation in which only one organization produces the entire output of an industry or sells a product or service for which there is no substitute.

mortgage: a credit arrangement in which title to property is pledged to secure a loan or obligation. Usually mortgage loans are obtained for the purchase or improvement of the property which is pledged.

municipal: a term referring to a city, town, village, school district, or any political division smaller than a state or country.

mutual fund: a company that uses the money it receives from investors to buy securities of corporations and governments.

N

national standard of living: refers to the goods and services the majority of people in the nation consider essential for living.

net: the amount that is free and clear after necessary deductions.

net worth: the excess of total assets over total liabilities.

notary public: a person licensed to administer oaths and to certify the validity of signatures on documents.

note: a written debt promising to pay a sum of money at a specified future date to a named person or to the bearer of the note.

O

obligation: a binding duty voluntarily assumed or imposed by contract or law; debt.

occupation: the employment, job, trade, or profession by which one earns a living.

opportunity cost: the process of measuring the value of a specific item by other items that could be had for the same price; essentially the weighing of one alternative against another rather than merely considering the cash price or value of a specific good or service.

outlet: usually refers to a channel of distribution for products.

outstanding: in credit or accounting, a debt or obligation not yet paid.

overdraft: a check written for a greater amount than the signer has in the account.

overdue: past due; not paid by the date payment is due.

overextended: circumstance in which one owes more than he or she can pay—obligations exceed the ability to pay.

P

passbook savings account: a savings account that allows deposits and withdrawals to be made in varying amounts at any time.

payment: the discharge of a debt by paying it; also one of a series of payments, as in installment credit.

penalty: a punishment and/or fine resulting from failure to do or not to do a specific thing according to law or according to terms of an agreement one has signed.

pension plan: a plan set up by an employer, sometimes with cooperation from a union, for making regular, systematic pension payments to retired or disabled employees.

per capita: per person.

percentage: an amount expressed as a portion of another amount—as per one-hundredth of the total.

personal income: in government statistics, total of all income received by individuals from all sources as distinguished from business income.

personal income tax: a tax on the amount of money a person receives from wages, tips, bonuses, interest on savings and investments, and dividends.

personal standard of living: refers to the goods and services one person considers essential for living.

pledge: something of value given by a debtor to a creditor as security for payment of the obligation.

policy: in business, a general statement of philosophy which governs business practices; in insurance, the contract between the insured and the insurer which outlines the terms and conditions under which the insurance is issued.

policyholder: a person who owns an insurance policy.

premium: something given with a product as an incentive to buy such as coupons, merchandise, etc.; also something paid as a reward or bonus; in insurance, periodic payments for an insurance policy.

price: the amount of money asked or received for the purchase and sale of goods, services, and property.

principal: the original or face amount of a loan or deposit on which interest is usually payable.

priority: the order of preference based on importance or urgency—frequently referred to in personal, business, and government finance as "setting priorities" or determining which needs take precedence over others.

private enterprise: a system in which means of production are owned and operated by individuals and privately owned organizations for the purpose of making reasonable profits—as opposed to government owned and controlled production.

proceeds: generally the amount gained from a transaction after deductions, expenses, etc. In credit, the amount actually received by a borrower from a loan; in insurance, the amount received by a beneficiary.

producers: those who provide the supply of goods and services to meet consumer demands.

product: the result or end of some process of production or manufacture; also manufactured or processed items as opposed to services or to goods and commodities in their natural state.

production: an act of manufacturing or creating something; that part of a business devoted to manufacturing something.

productive resources: all the resources—such as labor and tools—that are used to provide and produce goods and services.

profit: a gain, benefit, or increase in material value; in business, the excess of income over expenses or the amount left from total revenue after all costs are paid.

progressive tax: a tax that taxes the rich at a higher percentage than it does the poor.

promissory note: a written agreement for payment of a certain sum of money to a specific person or firm at a specific time.

property: that which is owned by individuals, businesses, organizations, or government.

prosperity: a period of expanding business activity with high production, relatively high employment, and active consumer spending.

purchase agreement: a contract between a home buyer and a seller that includes a description of the real estate, its location, the purchase price, the possession date, and any other conditions and terms of the sale.

purchasing power: the capacity of an individual or group to purchase, as measured by income; purchasing power of the dollar refers to the relative amount of goods and services which can be purchased with a dollar in a given period of time as compared with some earlier period.

Q

qualified: fitness for a specific purpose or assignment; also refers to one who possesses the necessary training, education, and other qualifications for a particular profession or job.

quality: a degree of excellence or fitness; attribute or characteristic of a product; grade or kind of product.

quantity: an amount in weight, size, number, or other measurement.

R

rate of interest: a percentage charged or paid for use of money over a period of time.

raw materials: goods in a natural or unmanufactured state used in or for production.

real estate: real property including land, buildings, and structures on the land.

rebate: a deduction for a specified amount, charge, or payment which is returned after the amount, charge, or payment is made in full.

receipt: written acknowledgment of having received something of value—money, payment, merchandise, or service.

recession: phase of business cycle which shows declining business activities in the economy.

redeem: to regain possession of something or gain release of an item pledged as security when an obligation is fulfilled.

refund: a repayment of money, usually in the case where it ought not to have been collected, or charges as in an overcharge; return of purchase price as an adjustment under a warranty or store policy.

regressive tax: a tax that takes a lower percentage of income from the rich and a higher percentage from the poor.

regular charge account: an account where goods and services can be charged in exchange for a promise to pay in full within 25 days of the billing date.

repossess: to take back or recover goods from the purchaser who fails to pay according to the terms of a contract.

reserves: money or funds set aside to deal with expected or unexpected financial difficulties.

resources: wealth or means of obtaining wealth or source of revenue—including time, energy, equipment, and ability as well as financial wealth; also used to refer to the producer or supplier of goods to retail sellers.

retail: the business of selling to consumers for their use as opposed to the wholesale business of selling to retailers for resale.

retirement: the withdrawal from business activity, usually as a result of age or of fulfilling a specified number of years working for a company or organization.

return: yield, profit, or earnings from a sale or investment; also merchandise brought back by a customer for refund or exchange.

rider: an addition to a document, as in insurance policies with clauses added to alter the basic document.

risk: element of uncertainty or possibility of loss; in insurance, the estimated amount of loss from a specific hazard or danger.

S

safe-deposit box: a box in a vault of a bank or safe deposit company rented to customers for storing valuables and important documents and papers.

salary: money paid for services performed in a job.

sale: transfer of goods or services from seller to buyer in exchange for money equal to the price of goods or services purchased; also refers to special selling at reduced prices.

savings: generally money set aside for specific purposes such as for use in the future, to offer security against financial risks, or to earn money in the form of dividends or interest.

savings and load association: institution set up to make loans, usually for the purchase or improvement of real estate.

second: product below standard quality for a particular product; sometimes called "irregular" and implying minor flaws or imperfections.

secondhand: used previously; not new.

secured loan: a loan for which some kind of asset must be pledged as collateral.

securities exchange: market in which stocks and bonds may be bought and sold.

security: a stock, bond, note, or other evidence of debt or ownership of a corporation or government; something of value pledged.

security deposit: amount of money the renter pays the landlord to insure against financial losses if the renter damages the dwelling or fails to pay rent.

service: work performed to meet the needs of those buying the work such as repair work, personal grooming services, and transportation; also includes professional services of teachers, lawyers, doctors, etc.

service contract: contract which provides for the servicing of an appliance if it is needed during the term of the contract.

signature: generally a person's own name in their own writing on a document—legally binding in most cases when signed on a contract or legal document.

single payment loan: a loan that is repaid in one lump sum at a specified time. Finance charges may be subtracted from the amount borrowed or added to the amount repaid.

social security: the federal government's basic program for providing income when family earnings are reduced or stopped because of retirement, disability, or death. It provides hospital and medical insurance to the elderly and the disabled through the Medicare program.

speculation: money put into some security, company, or scheme with the hope of quick, sizeable profit—usually involves a significant degree of risk.

standard: any established measure commonly understood for comparing similar products in terms of size, weight, content, performance, specifications, etc.

standardization: the setting of basic standards or specifications which products must meet.

stock: a share in ownership of a corporation; also, merchandise for sale in a store.

stockholder: a person who owns shares of stock in a corporation.

stock market: an exchange or place where stocks are bought and sold.

stop payment: an order by a person to a bank to refuse to honor a check that person has written.

sue: to take legal action against another party to settle grievances or disputes.

suit: legal proceedings brought against one person by another in court to correct a wrong, settle a claim, or enforce a right.

supply: the amount of goods and services available for sale at various prices at stated times.

survey: the map of a property that shows the measurements and boundaries of the property. It is often required by a lender making a mortgage to make sure the property conforms to its legal description.

T

take-home pay: wages or salary received after necessary deductions for withholding taxes, social security, welfare benefits, etc.

tax: payments collected from individuals and businesses by a government authority, primarily for the purpose of running the government.

tax avoidance: a means of avoiding unnecessary taxes by reducing taxable income through deductions, adjustments, and credits.

tax credit: an expense subtracted from tax liability. Tax credits may be claimed for child care, home energy conservation, and certain other expenses.

tax evasion: an illegal means of reducing taxes by failing to declare all income or by falsifying deductions, adjustments, and credits.

tenant: one who occupies or uses property of another under the terms of a lease or other agreement; also called a renter.

term: a period of time; a condition, limitation, or specification as in the "terms" of a contract; also, a type of life insurance.

term life insurance: insurance that provides protection for a set period of time—5, 10, or 20 years or whatever length of time specified in the policy.

third party: a person who is involved in a contract, action, or occurrence but is not a principal party.

title: a document of evidence of an owner's right to possessions and property (e.g. land title, automobile title).

trade-in: a product offered and accepted as partial payment in the purchasing of another product—commonly done in the purchase of automobiles and major appliances.

trademark: identifying name, symbol, or design which sets a manufacturer's or distributor's product apart from similar products of competitors.

U

unfair trade practice: any business practice which is considered unethical or illegal.

union: an organization of employees or workers formed to deal collectively with employers on employment issues such as wages, hours, fringe benefits, working conditions, etc.

union rate: a standard wage-per-hour or per-piece-of-work as set by a union agreement with employers.

unit pricing: a system of listing a product's cost per unit, weight, or measure that helps consumers compare like items to determine the best buy.

universal product code (UPC): a series of black and white lines, bars, and numbers that appears on store items that is part of a computer checkout system used in some supermarkets and stores.

unpaid balance: difference between the purchase price and down payment; also, total amount left to pay.

unsecured loan: generally a loan that only requires a signature promising to repay the loan as stated in the contract; not backed by collateral or pledge of valuables.

V

value: a. the worth of goods and services expressed in money—the price a thing will bring. b. the principle or belief that a person considers important. c. the lightness or darkness of a color.

variable expense: an expense that comes up regularly but in varying amounts.

W

W-2 Form: a Wage and Tax Statement that states the amount an employee was paid in the previous year. It also gives the amounts of income tax and social security tax that were withheld during the year.

W-4 Form: the Employee's Withholding Allowance Certificate that tells the employer how much tax to withhold from an employee's paychecks.

wages: the income received or paid in exchange for labor.

waiting period: in insurance, period of time between occurrence of a disability, unemployment, or accident and date on which payments are made; in consumer buying, period allowed by law for a buyer to cancel a purchase without penalty—referring primarily to door-to-door selling.

waiver: any intentional giving up of a right, claim, or interest.

warranty: a statement made by a manufacturer or seller of a product or service concerning the responsibility for quality, characteristics, and performance of the product or service.

wear and tear: the deterioration and depreciation of property or equipment which results from ordinary use and aging.

whole life insurance: insurance that provides protection for a lifetime.

wholesale: the selling of goods in large lots or bulk to a retailer for resale at retail prices to consumers.

will: document by which the individual directs the distribution of property and possessions to others upon death.

worth: the value of something—particularly expressed in money or market value.

Y

yield: percentage of a return on an investment.

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